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Canada, Railway Problems,
Special Committee, 1938
1938
(THE SENATE OF CANADA)
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PROCEEDINGS

OF THE

SPECIAL COMMITTEE

Appointed to

ENQUIRE INTO AND REPORT UPON THE BEST MEANS OF RELIEVING THE
COUNTRY FROM ITS EXTREMELY SERIOUS RAILWAY CONDITION
AND FINANCIAL BURDEN CONSEQUENT THERETO

No. 21

The Right Honourable George P. Graham, P.C., and
the Honourable C. P. Beaubien, K.C.,

Joint Chairmen

WITNESSES:

Mr. S. B. Brown, Chief Engineer, Operation Department, C.N. Rys.
Mr. J. Roberts, Chief of Motive Power and Car Equipment, C.N. Rys.
Mr. I. C. Rand, K.C., Divisional Counsel, C.N. Rys.
Mr. C. W. Johnston, General Passenger Traffic Manager, C.N. Rys.
Mr. R. W. Long, General Freight Traffic Manager, C.N. Rys.
Mr. R. C. Vaughan, Vice-President, Purchases and Stores Department, C.N. Rys.
Mr. S. W. Fairweather, Director, Bureau of Economics, C.N. Rys.

EXHIBIT:

No. 94. List of co-operative possibilities which should be studied and which, under a policy of enforced co-operation, might be expected to produce substantial economies without serious reduction in public services.

OTTAWA
J. O. PATENAUDE, I.S.O.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1938

ORDER OF APPOINTMENT

(Extracts from the Minutes of Proceedings of the Senate for March 30, 1938)

Resolved,—That a Committee of the Senate be appointed to enquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, with power to send for persons, papers and records, and that the said Committee consist of twenty Senators.

Ordered that the said Special Committee be composed of the Honourable Senators Beaubien, Black, Buchanan, Calder, Cantley, Coté, Dandurand, Graham, Haig, Hugessen, Horsey, Jones, Hardy, McRae, Meighen, Murdock, Parent, Robinson, Sharpe, and Sinclair.

MINUTES OF EVIDENCE

THE SENATE,

THURSDAY, June 16, 1938.

The special committee appointed to inquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, met this day at 11 a.m.

Right Hon. George P. Graham and Hon. C. P. Beaubien, joint chairmen.

Colonel O. M. Biggar, K.C., counsel to the committee.

The CHAIRMAN (Hon. Mr. Beaubien): Gentlemen, is it your wish that we proceed now?

Some Hon. SENATORS: Aye!

Mr. BIGGAR: Mr. Chairman, shall I deal with the statement of the first four months of this year?

The CHAIRMAN (Hon. Mr. Beaubien): It might be as well.

Mr. BIGGAR: This is a letter dated yesterday which I have received—

The CHAIRMAN (Hon. Mr. Beaubien): This is a correction?

Mr. BIGGAR: Yes, from Mr. Wrong. It reads:—

I am attaching a statement of revenues and expenses of the Canadian National System and the Canadian Pacific Railway for the four months, January to April, 1938 and 1937. The statement I forwarded to you yesterday was compiled from a monthly report issued by the Canadian Pacific which included taxes in their working expenses. The attached statement, however, is on the same basis as our regular monthly report and both the Canadian National and the Canadian Pacific data are compiled on the same basis with minor exceptions.

The effect of the statement as now made is this, that the Canadian National had revenues of 62 million and expenditures of 57.4 million in 1937, leaving a balance of 4.6 million. In 1938 the corresponding figures for revenue and expenditure are 55.1 million and 59.5 million. That is to say, the expenditure exceeded the revenue by 4.4 million.

The Canadian Pacific revenues and expenditures for 1937 are 43.5 million and 36.6 million, a difference of 6.9 million; and in 1938 they were 40.9 million and 37.3 million, leaving an excess of revenue over expenditures of 3.6 million.

I might add that the revenues of the Canadian National as between 1937 and 1938 have gone down 6.9 million, and the expenditures have gone up 2.1 million.

The CHAIRMAN (Hon. Mr. Beaubien): That is the combined railways?

Mr. BIGGAR: No, that is the Canadian National. The Canadian Pacific revenues have gone down 2.6 million, and their expenditures have gone up 0.7 million.

Hon. Mr. HAIG: That makes 3.3.

Mr. BIGGAR: That makes 3.3.

I suggest that the amended statement be marked as Exhibit 90-A, so that the two may go together in the proceedings.

The CHAIRMAN (Right Hon. Mr. Graham): Is everybody agreed that these figures are correct? One of the gentlemen pointed out yesterday that we had not got them right.

Mr. BIGGAR: I have not checked them.

Hon. Mr. COTE: Then, you mentioned yesterday accrued taxes not paid.

Mr. BIGGAR: That was due to the note on the bottom of the previous statement. That has been cleared up now.

Hon. Mr. COTE: That disappears?

Mr. BIGGAR: I think it disappears altogether.

The CHAIRMAN (Hon. Mr. Beaubien): How has it been cleared up?

Mr. BIGGAR: It is explained in the letter. The explanation is given in the letter.

Immediately after the committee adjourned last night, my attention was called to the fact that Mr. Walton in answering the last two or three questions I asked at 6 o'clock thought he had given a wrong impression, and I said that if he prepared a memorandum I would read it to the committee this morning.

The memorandum is addressed to Mr. I. C. Rand. It is dated June 16, and reads as follows:—

I find that the answer I made yesterday to the question regarding L.C.L. traffic and revenue therefrom, speaking from memory, was not entirely correct.

For the Canadian National Railways, L.C.L. tonnage comprises about 3 per cent of the tonnage carried while the revenue from L.C.L. tonnage amount to about 12 per cent of the freight revenue. Of course, the question of highway competition is not confined to L.C.L. traffic, but also affects carload traffic.

C. B. BROWN, Chief Engineer, Operation Department, Canadian National Railways, appeared as a witness, and took the stand.

By Mr. Biggar:

Q. Mr. Brown, I understand that you are the Chief Engineer, Operation Department, Canadian National Railways?—A. Yes.

Q. Are you going to deal with the Maintenance of Way and Structures figures in the Canadian Pacific estimate?—A. Yes.

Q. Those are the figures on page 423 of the proceedings, are they not?—A. Yes, sir.

Q. Have you got a memorandum with you on that?—A. Yes, sir. And with the permission of the committee, I will just read it:—

In the submission made by the Canadian Pacific Railway with regard to Maintenance of Way and Structures Expenditures for a unified system of 35,946 miles they estimate that a saving of \$14,888,622 can be made on 1930 conditions compared with the cost of operating the present mileage by separate companies as now exist. This saving can be divided into two parts, first, that which would be effected by the abandonment of some 5,013 miles of line, and second, by applying C.P.R. unit costs to the proposed unified system with the re-routing of traffic and degrading of portions of the unified mileage.

I have checked over the submission above mentioned and have found, as explained in the evidence, that it was prepared on various assumptions and arbitrary bases not to my knowledge having been previously applied for such comparisons. In my opinion, the formula as set up by the C.P.R. is not reliable nor can it be safely used for the purpose to which

[Mr. S. B. Brown.]

it has been applied. In an endeavour to approach the problem by a more simple method it occurred to me that the proposal might be analyzed by using the returns for expenditures and mileage as given by both railways to the Dominion Bureau of Statistics. Road mileage is not necessarily the most accurate measure for such comparisons but is generally used when more accurate data are not available. The generally accepted method for more accurate comparisons is to use, by proper application, a recognized equated mileage formulae. Sufficient data with respect to the two systems are not available in order to prepare a study on this basis.

It is questionable from a practical standpoint whether any mileage can be abandoned other than that which could be taken up under the present separate systems, or those duplicate lines in the same territory where the abandonment of one or the other of the lines would not affect adversely the railway or the public, and which could be accomplished under co-operation. It therefore appears to me that what remains is to test the propriety of using C.P.R. unit costs as applying to C.N.R. conditions. For this purpose I have made some calculations on the basis of road miles and expenditures as given in the Dominion Bureau of Statistics blue book for the year 1930.

Any comparisons based upon the statistical reports to the Dominion Bureau of Statistics must be subject to the observations that have already been made to this committee by Mr. Cooper and in particular to the items affecting Maintenance of Way, such as Commercial Telegraphs, Ties and Rail.

According to the Dominion Bureau of Statistics blue book for 1930, page 81, and including the C.P.R. and its subsidiaries, the expenditure for Maintenance of Way and Structures is returned as \$27,402,312. If this amount is divided by 16,658 miles shown in the C.P.R. submission and also taken from the blue book, the average cost for Maintenance of Way for the C.P.R. and subsidiaries would be \$1,645 per mile. If this figure is applied to the C.N.R. mileage of 23,768, also shown in the blue book, the result is \$39,098,360 which would be the estimated cost for the Canadian National based on the C.P.R. cost per mile above mentioned.

By Hon. Mr. Gordon:

Q. Are you coming at the cost per mile now?—A. I am, Senator.

The total expenditure given for the C.N.R. all inclusive, for 1930 is \$47,877,658. Before proceeding further it should be noted that this amount of \$47,877,658 includes the C.N.R. charges for Commercial Telegraphs, which in that year amounted to \$768,382. It is evident that the corresponding figure in the C.P.R. total does not include all of its Commercial Telegraph expenditure, so by excluding Commercial Telegraphs expenditures from the C.N.R. the total expenditure would be \$47,877,658 less \$768,382, or \$47,109,276.

Deducting \$39,098,360 from the \$47,109,276 leaves \$8,010,916, which is the difference between the actual C.N.R. Maintenance Charges and what they would have been had C.P.R. unit mile costs been applied.

The C.P.R. in Exhibit "H," pages 838 and 839, have admitted in the units which they used in their computations, that the return made to the Dominion Bureau of Statistics for 1930 of \$27,402,312 has been reduced by an item of \$2,500,000 for treated ties charged to Capital Account, whereas in the same year treated ties on the C.N.R. were charged to Maintenance Account. They have also stated that they charged \$1,225,000 for rail to Reserve, whereas on the C.N.R. in that year all Maintenance Expense for Rail was charged to Maintenance Account.

If we add the total of these two items, namely \$3,725,000 to the \$27,402,312 as returned to the Dominion Bureau of Statistics, the actual Maintenance Expense for the C.P.R. in 1930 would have been \$31,127,312. Dividing this amount by 16,658 miles gives an average cost per mile of \$1,869. Applying this rate to the 23,768 miles of the C.N.R. would give an amount of \$44,422,392. Subtracting the latter amount from the \$47,109,276 leave \$2,686,884, which is the difference with this C.P.R. unit of cost applied to the C.N.R. mileage.

By Hon. Mr. Cote:

Q. How much does the C.N.R. pay for creosoting ties?—A. From fifty-two to seventy-five cents per tie.

Q. The total amount?—A. When?

Q. 1930.—A. Between \$1,500,000 and \$1,600,000. I could give you the exact figure.

Q. And the C.P.R. pay \$2,500,000?—A. Yes, sir.

Q. It would have been more satisfactory to have adjusted the cost.

Hon. Mr. ROBINSON: More satisfactory to whom?

By Hon. Mr. Cote:

Q. It would have been more accurate if you had deducted the million and a half from the C.N.R. costs, so as to exclude creosoting of ties from both computations.—A. Possibly. May I proceed?

Q. Yes.—A.

In the discussion with regard to Track Maintenance Group, page 736, misapprehension may have occurred with regard to the C.P.R. expenditure of \$19,110,762 divided by its mileage of 16,658 giving the cost per mile as \$1,147 and similarly on the C.N.R. with \$33,349,905 and mileage of 23,768 or \$1,403 per mile. The difference between these costs per mile is \$256. If the expenses for ties and rails charged to Capital and Reserve had been added to the \$19,110,762 this would give the C.P.R. cost per mile as \$1,371 as compared with the C.N.R. for that year of \$1,403 or a difference of \$32 per mile. The above shows how desirable it is to make sure that the figures used are comparable.

According to the C.P.R. proposal the Toronto Terminals Railway and Northern Alberta Railways, which are now jointly owned, are to be retained in the proposed unified system, although 50 miles of the latter are included in the abandonment program. If these lines are maintained by the unified system as they are now by joint operation there will be no material saving effected in Maintenance of Way of these two properties.

Further, the C.P.R. does not propose in the unified system to abandon any of the United States lines of the C.N.R. As far as I can see the situation on the Duluth, Winnipeg and Pacific Railway or the C.N.R. line to Portland would not be materially affected unless there is a considerable change in the routing of traffic. On the Grand Trunk Western and Central Vermont Railways it is possible that the rerouting of traffic to and from United States lines over these properties may increase the Maintenance of Way expenses on these two lines, provided more traffic is so routed.

The previous comparisons of mileage and road costs have been made using C.N.R. System (all inclusive) data. I now propose to analyse the question from the standpoint of Canadian lines of the two systems, without abandonment of any lines and eliminating the costs and mileage of the jointly owned Northern Alberta and Toronto Terminals Railways. Using the Blue-Book figures for the C.P.R. at \$27,402,312 and dividing by the mileage of the C.P.R. gives a rate of \$1,645 per mile, which applied

[Mr. S. B. Brown.]

to the 21,941 miles of C.N.R. lines in Canada gives a total of \$36,-092,945. The total expense for C.N.R. lines in 1930 as given in the Blue-Book is \$41,942,226, from which should be subtracted Commercial Telegraphs of \$768,382, which gives \$41,173,844. Deducting the \$36,092,945 which is the total cost of C.N.R. lines on the C.P.R. basis would leave a difference of \$5,080,89.

If, however, the C.P.R. report had included the \$3,725,000 for rails and ties as above referred to its total expense would have been \$31,127,312. With this total cost, which is more comparable with the C.N.R. total cost without Commercial Telegraphs, the cost per mile would have been \$1,869. Applying this \$1,869 to the 21,941 miles of the C.N.R. lines in Canada would give a total of \$41,007,729. If this is subtracted from the \$41,173,-844 the difference in the cost of maintaining the C.N.R. lines in Canada based on the C.P.R. unit mileage costs would be \$166,115.

It has been admitted by Sir Edward Beatty in his evidence to the Royal Commission, pages 2436 and 2437, that the C.N.R. lines should cost somewhat more to maintain than the C.P.R.

A reliable deduction cannot be obtained by comparing the maintenance expenditures between sections of the same road or other roads based upon any one year's statistics.

Up to this point I have been dealing exclusively with expenses of the two systems as of 1930. Let us look at the situation to-day. There are certain physical differences between Canadian lines of both systems which should be borne in mind when considering costs for Maintenance of Way and Structures.

1. Treated Ties.—In Sir Edward Beatty's address last May to his shareholders he stated in referring to the 1937 situation that 56 per cent of the C.P.R. ties were treated, which leaves 44 per cent untreated. At the end of 1937 there were 33 per cent of the ties in Canadian National lines treated and 67 per cent untreated. Treated ties, due to their much longer life, have not been installed on either system for a sufficient period to necessitate any material renewals of same. As both railways have approximately the same number of ties per mile of track and as untreated ties are those which are principally being replaced, this difference in the untreated tie situation means that under any system of management more expense must necessarily be involved in tie renewals per mile chargeable to Maintenance on C.N.R. lines than obtains on the C.P.R. For 1936, which is the last year for which renewal data are available to me, the difference amounted to 82 ties per mile of all tracks or 90 ties per road mile per annum. The average cost of an untreated tie in track including material and labour is between 90 cents and \$1 and based on 90 ties per road mile at 90 cents per tie this would involve an additional cost of \$81 per mile or about \$1,800,000 per annum.

2. Timber bridges.—Sir Edward Beatty stated at his Shareholders' Meeting recently that last year the C.P.R. had 1,489 timber bridges and 1,861 permanent bridges, whereas in 1937 on the C.N.R. Canadian Lines there were 3,081 timber structures and 1,995 permanent bridges. When the Canadian National Railways were amalgamated its timber bridge situation was one of the serious problems with which the Railway had to contend. Although a direct comparison cannot be made with respect to this situation it will be noted that the C.N.R. has more than twice the number of timber bridges to be maintained as compared with the C.P.R., and without having full details with regard to all of these structures I am of the opinion that the difference in these timber bridges involves a considerable additional expense for maintenance of bridges, which I have estimated at \$600,000 per annum.

By Right Hon. Mr. Meighen:

Q. Mr. Brown, I have been so long in Parliament that I can very well remember speeches, many and emphatic, stating that the situation on the Transcontinental and the Grand Trunk Pacific with respect to bridges would be vastly better than on any of the C.P.R. or any other tracks in the world, and that that was one of the great virtues of that road. I would have thought in that section which you mostly complain of you had a real advantage along the line of maintenance of bridges.—A. The section I complain of?

Q. The company complains of these sections being loaded onto it. It would be a terrible disappointment to me if you had not a great advantage.—A. I am talking of the total line, of the total number of bridges.

Q. Haven't you a big advantage on the Transcontinental and the Grand Trunk Pacific?—A. With regard to bridges as compared with the C.P.R.?

Q. Yes.—A. I would say not.

Q. Were those speeches all?—A. I don't know anything about the speeches, sir. I am speaking from the actual record.

Q. And you say that on those two roads, built to the standard to which they were as respects bridges, you have no advantage at all?

Hon. Mr. DANDURAND: The witness has given the general system.

The WITNESS: You mention two roads, Mr. Meighen. You mean the National Transcontinental Railway and the Grand Trunk Pacific?

By Right Hon. Mr. Meighen:

Q. Yes.—A. I can say that when we took them over there were a number of timber bridges in both of them.

Q. Didn't you have fewer and better bridges than on any other road in Canada?—A. I wouldn't say that. It depends on what you are comparing with.

Q. Comparing with anything. I think Mr. Parent will come to my support as to what I heard of that bridge construction.—A. There are a number of very fine bridges.

Q. There was nothing of a wooden bridge that I ever heard of in those days.—A. You never heard of Calamity Creek?

Hon. Mr. McCRAE: There are a great many wooden bridges in British Columbia.

Hon. Mr. DANDURAND: Of course the statement of the witness covers the whole system.

By Hon. Mr. Hugessen:

Q. I suppose the fact is that when a railway is first built they usually put in a number of timber bridges and hope to replace them from time to time as they go on?—A. That is generally the construction. I think what Mr. Meighen is referring to is that when the Grand Trunk Pacific was built it was the intention to put in permanent bridges, and that was largely done, but not entirely.

By Right Hon. Mr. Meighen:

Q. But the usual practice of putting in wooden bridges was not adopted there. I never heard of wooden bridges there.—A. I have heard of a good many on that line myself.

The CHAIRMAN (Right Hon. Mr. Graham): I think it is fair to say that a great many wooden bridges were on some of the lines the Canadian National had to take over, and which had a very poor reputation for the construction of bridges.

[Mr. S. B. Brown.]

By Hon. Mr. Hugessen:

Q. On the Canadian Northern section there were a vast number of wooden bridges?—A. Yes.

By Hon. Mr. Parent:

Q. I think you can find a few on the Gaspé coast, too.—A. That is right.

By Right Hon. Mr. Meighen:

Q. I am only speaking of those two roads.—A. I may say that the largest timber bridge on the Canadian National System and the largest that existed in Canada in 1923 was on the Grand Trunk Pacific, crossing the Battle river.

Q. I wish I had known that years ago.

Some Hon. SENATORS: Oh, oh.

The WITNESS: Shall I proceed?

Mr. BIGGAR: Yes.

The WITNESS:

3. Preponderance of C.P.R. Mileage in lower cost territory—At the end of 1937 there were on the C.P.R. 5,832 miles of road on Eastern Lines and 11,354 miles on Western Lines, making a total mileage including subsidiaries of 17,186 according to the C.P.R. Annual Report. On the Canadian National, Canadian lines, there were 10,586 miles on Eastern lines and 11,388 miles on Western lines with a total of 21,974. From this it will be noted that the mileage in Western Canada on both Systems is practically the same. Eastern lines of the C.P.R. comprise 34 per cent of their total and Western lines 66 per cent whereas on the C.N.R. Canadian lines 48 per cent of its mileage is comprised in Eastern lines and 52 per cent in Western lines. As the maintenance cost of the C.N.R. for Eastern lines is about \$500 per mile more than on Western lines, and due to the much larger percentage of C.N.R. lines lying in the higher cost territory than obtains on the C.P.R., the C.N.R. maintenance cost must of necessity be higher. I estimate this difference to be \$1,500,000 per annum.

4. Density of Traffic—Density of traffic is a factor in Maintenance of Way expenses and is generally expressed in ton miles per mile of road. According to the American Railway Engineering Association formula, in very general terms, traffic affects Maintenance of Way to the extent of about one-third. The Canadian National (Canadian lines) traffic density is about fifteen per cent less than that of the Canadian Pacific Railway and therefore maintenance of way expenses for this smaller density should be about five per cent, or \$68 per mile per annum less, which amounts to approximately \$1,500,000.

You understand, our maintenance should be a million and a half less on account of this lower density of traffic.

The foregoing, along with other factors of a similar character, indicate the fallacy of attempting to make exact comparisons without having available all pertinent data concerning both Systems.

The C.P.R. estimates have been based upon the assumed applicability of unit costs, on what they claim to be their results, to a unified System, and in my opinion this applicability cannot properly be made.

By Mr. Biggar:

Q. That covers what you have to submit, Mr. Brown?—A. Yes.

Q. And you have not made independently any study of the possibilities from the information you have available?—A. Other than what is here.

Q. And are you familiar with the \$56,000,000 estimate?—A. I am not.

Q. You don't know anything about that—A. No.

By Hon. Mr. Haig:

Q. The Chairman and your humble servant are in dispute over what you said. I understood you to say that the density of traffic on the C.P.R. would make it a little more expensive for maintenance of way on that road than on the C.N.R.—A. Quite. If you analyse those four things I have set up—the untreated tie situation, the greater percentage of timber bridges, the preponderance of C.N.R. mileage in higher cost territory—those are factors which make Canadian National expenditures greater. The factor of density of traffic, the difference of density of traffic between the two should make the C.P.R. expenses lower, so in a sense, that goes against the other three.

Q. Now, there is one other question. If you cannot answer it, say so. In looking at the map it appears to me that a good many of your largely earning roads are either on the old Grand Trunk or the old C.N.R., and that those are the paying part of your system. Do you know anything about that?—A. I would rather—

Q. Who would answer that question?

Right Hon. Mr. MEIGHEN: Anybody.

The WITNESS: Well, in my opinion the old Grand Trunk Railway through to Chicago is the heaviest earning road we have.

Q. And next to that?

By Hon. Mr. Parent:

Q. In the mining district in Northern Quebec?—A. Not in traffic, no. I do not know which you would class—

By Hon. Mr. Haig:

Q. Would you not put the old Canadian Northern next?—A. Taking the whole system?

Q. Yes.—A. Well, I would think so, taking the whole system.

Q. And really the load you have on your neck, if I may use a vulgar expression, is from Quebec to Nakina and from some place near Jasper to Prince Rupert?—A. I would not say those are the only ones.

Q. There are others?—A. There are a lot of other roads. A great many branch lines were taken over during a long period of years, and at the time it was known that many of them never could possibly pay expenses.

By Right Hon. Mr. Meighen:

Q. Didn't the President recommend taking them over?—A. I am speaking of previous to that, when I was on the spot with the Minister of Railways of that day. They had failed as private companies and could not buy their materials and other things to make their repairs and keep their lines going. But it was felt that it would be in the national interest—

By Right Hon. Mr. Meighen:

Q. What percentage of your road is in Western Canada?—A. Fifty-two per cent of our mileage.

Q. And 48 in the East?—A. Forty-eight in the East. I am speaking of road mileage—48 per cent in Eastern lines in Canada.

By Hon. Mr. Sinclair:

Q. Where do you make the dividing line?—A. Fort William and Armstrong.

By Right Hon. Mr. Meighen:

Q. What has the Canadian Pacific?—A. The Canadian Pacific has 34 per cent in the East and 66 per cent in the West.

[Mr. S. B. Brown.]

Q. Then it is much more in the West, proportionately, than you are?—A. Right.

Q. And the West is the part of the country which has suffered in these late years, much more than the East?—A. Do you mean financially?

Q. I mean in production.—A. Yes.

By Hon. Mr. Haig:

Q. How long have you been with the Canadian National or allied roads?—A. Ever since amalgamation, and since 1913 with one of the amalgamated roads.

By Hon. Mr. Black:

Q. You were with the Intercolonial before that?—A. 1913 until the time of amalgamation, yes.

By Hon. Mr. Parent:

Q. I have heard the statement made—I do not know whether it is correct or not—that per capita the province of Quebec has the least mileage of all the provinces. Is that statement correct?—A. I have never figured that out.

By Hon. Mr. Cote:

Q. Mr. Brown, on the subject of treated ties, I understood you to say that you had a much larger proportion of untreated ties to be treated in future, and for that reason your future operating costs would be proportionately higher as you treat ties?—A. Not necessarily as you treat them, but as you replace the untreated ties.

Q. It would be the same thing, either replacement of untreated ties or the putting in of treated ties?—A. Yes.

Q. And in 1930 you treated ties to the extent of \$1,500,000?—A. Yes, \$1,549,000.

Q. And the Canadian Pacific treated ties to the extent of \$2,500,000?—A. Yes, which they charged to capital, and which we did not.

Q. So in that particular year it was a very much greater proportion that the Canadian Pacific spent in treating ties than you did?—A. Yes.

Q. And of course your conclusion is, and mine would be too, that you cannot make a comparison in one year on that basis, in view of that disparity of figures, to that extent at least?—A. Yes. At the present time I may say, Senator, that the cost of treating ties on the Canadian National is now or has been since 1932 charged to capital account, in Canadian lines, the same as the Canadian Pacific charged to capital account in 1930. I think we are on a parity to-day in that procedure, except for United States lines, where under Interstate Commerce Commission rules the treated ties are entirely charged to maintenance.

By Right Hon. Mr. Meighen:

Q. I understand you to say that the biggest wooden bridge in the country is on the Grand Trunk Pacific over Battle river?—A. Yes.

Q. West of Wainwright?—A. No; on a branch line, near Camrose, on a Grand Trunk Pacific branch line.

Hon. Mr. SINCLAIR: Mr. Chairman, there was a matter that arose out of a statement by the Vice-President for the Maritime Division, and again arose out of a statement by Mr. Walton yesterday, which I wished to follow up with Mr. Walton last night, but the adjournment prevented me from doing so. There are some features of it that relate to the engineering division that I would like to ask Mr. Brown about.

Q. When the Vice-President for the Maritime Division was giving his evidence he referred to the large volume of export traffic that went over the N.T.R., and also coal and other traffic coming this way. I wished to ask about

the export traffic, goods that are shipped for export either across the ocean or down the coast, if there would not be an economy in diverting that traffic on the N.T.R. at McGivney Junction and putting it on board a boat at Saint John rather than carrying it three times the distance from McGivney Junction to Halifax. I was going to ask Mr. Walton about that, but I did not get in early enough this morning on account of attending another committee. I want to ask, what is the condition of the line from McGivney to Fredericton, and the Valley Railway from Fredericton to Saint John, as regards its capacity for taking care of such traffic.—A. Well, they are not in what we call main line condition.

Q. What condition are they in?—A. Well, a considerable expenditure would be required to bring particularly the section from McGivney to Fredericton to a main line standard, both in maintenance and in improvement.

Q. What is the capacity of the new bridge?—A. It will take any power we have on the system.

Q. A considerable expenditure would be required to bring the roadbed up to main line standard?—A. Yes, and to improve certain curves, and things of that kind.

Q. What expenditure would there be there?—A. I would have to make an estimate, sir.

Q. Up to what standard is that part of the road now?—A. Well, what we call a branch line standard.

By Hon. Mr. Parent:

Q. What is the weight of the rails?—A. Mostly 80 pounds per yard.

Q. What is the standard of the Valley Railway from Fredericton to Saint John?—A. That is of a branch line standard, that is as far as ballast and some of those features are concerned. And there are some of the bridges that would have to be replaced; some of them were carried out by freshets and abutments have been replaced by timber. These would have to be strengthened—not very extensively, but there are a number of things of that kind.

Q. The cost of rerouting traffic, does that amount to anything?—A. Transportation does not come under me, sir.

By Hon. Mr. Gordon:

Q. Has it been demonstrated to your satisfaction up to now that the treatment of ties is economical?—A. Yes.

Q. What do you consider the life of the treated tie to be?—A. Well, 22 to 25 years.

Q. And the ordinary tie?—A. Ordinary ties run from 8 to 10 years.

By Hon. Mr. Horsey:

Q. Are those ordinary ties put in green or are they dried out first?—A. We attempt to season them where it is possible, because we get a little better life out of seasoned timber than we do out of green timber. I think that in the Maritimes, with native timber such as they had along the track on many of those branch lines that I mentioned as being taken over, the ties would not last longer than four or five years, but they were not suitable timber. The lines were being operated by those private companies and they could not afford to buy suitable timber.

By Hon. Mr. Black:

Q. Following up the question asked by Senator Sinclair, I want to ask you with regard to taking your through traffic over the N.T.R. down to the centre of New Brunswick, first by McGivney and Fredericton to Saint John, how much shorter would that be than taking it the way you presently take it?—A. I would have to figure that out.

[Mr. S. B. Brown.]

Q. That should not take long. You know that country?—A. But I cannot pull various mileages out of my head at the moment. I can get you that figure, Senator. You want the distance from, say, Quebec or Diamond Junction—

Q. Yes, from Diamond Junction, because most of the export stuff goes through Diamond Junction.—A. Yes.

Q. I want the distances from Diamond Junction to Saint John, via McGivney and Saint John Valley Railway; and from Diamond Junction to Saint John via McGivney and Moncton; and from Diamond Junction to Moncton and Halifax.—A. You want the distance to Halifax by Intercolonial?—

Q. The shortest route, if you like.—A. All right, sir.

Q. That is, first, taking the traffic to Halifax via Moncton; next to Saint John, via Moncton; and next, to Saint John via the Valley Railway.—A. I can give you the mileages of that, sir.

Q. The reason I ask is that it has always been a question to my mind why you did not use the shorter route.

By Mr. Biggar:

Q. You have been speaking of the charging of creosoting ties to capital, and I think what you have been referring to is at page 838 of the proceedings. Would you look at that page? An item of \$2,500,000 appears at the lower part of the left-hand side of the page. Am I right in thinking that that is really taken into account for the purposes of the saving and that the figure of \$5,215,035, which occurs above it, is the figure that has been taken by Mr. Armstrong into account for the purpose of ascertaining a saving and that that calculation then has nothing to do with the \$2,500,000 that has been subsequently deducted, because that is only deducted to bring the figures together at the bottom of the page?—A. To bring the figures as to the Canadian Pacific separate as compared with the unified system. That is, taking the \$2,500,000 for both sides, that is quite all right for that calculation.

Q. But for the purpose of calculating savings, the total expense of \$2,715,035 has been taken into account?—A. Yes, and in his return to the Dominion Bureau of Statistics, to make it comparable with the Canadian National on the same basis, that \$2,500,000 would have been included as an expense.

Q. But I understand that it has nothing to do with this savings calculation at all. It has to do with the return but not with the calculation of savings?—A. It has a very great deal to do with your maintenance of way expenses, if you do not put it in.

Q. But it is in, as I understand it, at page 838?—A. It is in the calculation and taken out.

Q. Well, I suppose we shall have to leave it at that.

Mr. JOHN ROBERTS was called as a witness and took the stand.

By Mr. Biggar:

Q. Mr. Roberts, what is your position?—A. Chief of Motive Power and Car Equipment.

Q. You are going to deal with that maintenance equipment item at the bottom of page 423, I understand.—A. Maintenance of equipment expenses.

Q. Yes. That is at the bottom of page 423 of the Proceedings.—A. Yes, sir.

Q. Have you got it in the form of a memorandum?—A. Yes. May I read it?

Q. Will you go ahead with that?—A.

Referring to Exhibit "H," on page 433 in which a total net saving of \$14,360,414 is estimated on maintenance of equipment under unified management.

Blue Book statistics were used throughout as the basis of the estimate and we have no way of determining the comparability of figures reported by the two railways.

The most important items included in this estimate are repairs to steam locomotives, freight train cars and passenger train cars, and the aggregate saving estimated on these three items alone is \$12,230,985. We would like to point out that about 35 per cent of this saving is estimated as being attainable as the result of the application of C.P.R. unit costs. The remaining 65 per cent is based principally on a general reduction in locomotive and car mileage which has been estimated as a result of track abandonment, cancellation and consolidation of trains and general curtailment of services. I will deal with these items separately.

Steam Locomotive Repairs

By far the largest item contributing to this total is the estimated net saving of \$7,765,015 on the locomotive repair account. By referring to Exhibit "H" on page 845 and using it in conjunction with Exhibit "H" on page 423, it is apparent that the C.P.R. estimate of savings in locomotive repairs, based on 1930 performance, is made up as follows:—

1—Saving due to the application of C.P.R. unit cost.	\$3,502,398
2—Reduction of 12·2 per cent in total locomotive mileage.	3,265,244
3—Preferred use of modern power—that is the locomotive—and handling repairs at most efficient shops.	997,373
Total.	<u>\$7,765,015</u>

It will be noted that 45 per cent of the estimated saving is due to the application of C.P.R. unit costs and is based on the assumption that the average cost per locomotive mile for the unified system could be reduced to the C.P.R. cost per mile. We would consider this basis faulty for the following reasons:—

1. The C.N.R. locomotives average considerably larger than the C.P.R. locomotives and it costs more to maintain a large engine than a small one. At the end of 1937 the average tractive effort on the C.N.R. was 13·45 per cent higher than on the C.P.R. without including booster capacity and, as the C.N.R. has nearly four times as many booster-equipped engines as the C.P.R., an adjustment of 13·45 per cent would not be unfair to the C.P.R. for purposes of comparison.
2. As a result of amalgamation the C.N.R. has to maintain 214 different classes of locomotives as compared with 124 classes on the C.P.R. This means that a much larger stock of parts has to be carried on the C.N.R., which increases Stores Expense, and the number of patterns, dies, jigs, etc., is very much greater than would be necessary with a moderate number of classes. The amount of repetition work in the shops is greatly restricted, thus increasing the cost of production. Any unified management would find it much more of a problem to maintain 338 classes of locomotives than 124 classes.
3. The C.N.R. locomotives have been modernized to a greater extent than those of the C.P.R. by the application of such devices as Superheaters, Stokers, Thermic Syphons, Feed Water Heaters, Exhaust Steam Injectors, Boosters, Mechanical Lubricators, etc. While

[Mr. J. Roberts.]

these devices increase efficiency and capacity and, without any question of a doubt, justify their adoption, they cost money to maintain, and part of the original installation cost is also a maintenance charge.

4. The proportion of locomotive mileage made in level prairie country to the total locomotive mileage for the system, is much greater on the C.P.R. than on the C.N.R. The cost per mile to maintain a locomotive which does most of its work on level, tangent track, is much less than it is for a similar locomotive working under the more severe conditions encountered in other parts of the country.

The estimates are all based on the performance for the year 1930, which would be quite satisfactory if both roads had remained at a constant level of efficiency until the present date, but this is not the case. Both the C.N.R. and the C.P.R. have reduced their repair costs per locomotive mile since 1930 and, as a saving on present day cost is the condition to be desired, we propose to make a brief comparison of the 1937 performance:—

	C.N.R.	C.P.R.	Total for both Railways
Total locomotive mileage (1937) ..	63,176,000	48,870,000	112,046,000
Total of repair account (1937)	\$12,796,000	\$7,814,000	\$20,610,000
Cost per locomotive mile.....	20.25 cts.	15.99 cts.	

Supposing it had been possible to maintain the locomotives of both railways at the C.P.R. cost per mile of 15.99 cents without any reduction in mileage, the total cost would have been reduced from \$20,610,000 to \$17,916,000 showing a direct saving of \$2,694,000, but it would be unreasonable to expect this, due to various conditions which have been explained above.

If an adjustment is made to the cost per mile to compensate for the larger average size of the C.N.R. locomotives, the estimate of savings would be changed as shown below:—

Total locomotive repair account, 1937, both railways.....		\$20,610,000
C.P.R., 48,870,000 miles at 15.99 cents.....	\$ 7,814,000	
C.N.R., 63,176,000 miles at 15.99 cents, plus		
13.45 per cent=18.14 cents.....	11,460,000	19,274,000
Estimated saving at the adjusted unit cost.....		\$ 1,336,000

It will be noted that this adjustment reduces the estimated saving from \$2,694,000 to \$1,336,000, or over 50 per cent, and, if it were possible to make adjustments for the other conditions mentioned, the estimate would be still further reduced. It is therefore impossible to state that there would be any saving directly due to increased shop and engine house efficiency under unified management.

The second item which shows an estimated saving of \$3,265,244 is contingent on a reduction of 12.2 per cent in the total locomotive mileage, due to curtailment of service which might be possible under unified management. If locomotive mileage is reduced, the total repair account will naturally be reduced, but whether this estimate of mileage reduction can be realized is a transportation study and has been dealt with by our Transportation Officer. Considering that the estimate of 12.2 per cent mileage reduction was based on the assumption that over 5,000 miles of track would be abandoned, any change in the program of abandonment would presumably change the amount of reduction possible in locomotive

the C.P.R. and there are good reasons for the difference. One of the most important is the more advanced program of modernization which has been carried on by the C.N.R. including the application of cast steel truck sides, friction draft gear, stabilized trucks, A.B. brakes, etc.

Cars equipped with arch bar trucks will not be accepted in interchange after July 1, 1938, and at the end of 1937, the C.N.R. had 49,799 cars or 52 per cent of their total number of cars equipped with cast steel truck sides. The C.P.R. had 26,901 cars equipped or 33 per cent of their total number of cars.

By Hon. Mr. Parent:

Q. Does that include the United States, or just Canada?—A. This figure is Canadian lines.

To reach a condition comparable with the C.N.R., the C.P.R. would require to equip about 14,700 additional cars, which would entail an additional maintenance charge of about \$3,300,000.

During the year 1937, 7,357 cars were equipped with truck sides on the C.N.R., which involved an extra maintenance charge of \$1,662,682. A.B. brakes were applied to 2,204 cars and the maintenance portion of these applications totalled \$209,380.

During the year 1937 the C.N.R. averaged 3,257 cars off lines more than the C.P.R. per day. The rental for cars in foreign service, therefore, totalled about \$1,189,000 in excess of the C.P.R., which amount does not appear in Mechanical Department accounts. The repairs for this excess number of cars averaging 60 miles per day at 1.159 cents per mile would amount to about \$826,000 which amount is charged to freight car repairs.

Based on data shown in the Canadian National annual report and records furnished by the Canadian Pacific to the Dominion Bureau of Statistics, for the year 1936, covering commodity loadings, it would appear that the Canadian National require between forty and fifty per cent more high grade—known as Class A—box cars than do the Canadian Pacific to protect properly the transportation of manufactured and other products requiring Class A cars.

By Hon. Mr. Hugessen:

Q. Is that because you have a larger international traffic?—A. Yes, possibly that would affect it; but it is largely paper, flour and sugar—high-grade lading. I may say this is a figure given to me by the Transportation Department.

This type of car is of course made available only through purchase or by higher priced shop repairs.

We wish to assure the committee that these matters are not being dragged into the picture to obscure the issue, but merely to demonstrate the number of weighty complications which preclude the possibility of using any simple method of comparing one year's performance of two different railways on freight car maintenance.

Taking into consideration the varying conditions on the two railways, which have an effect, direct or indirect, on the repair account, it would be a difficult matter to state which railway is making the better performance on freight car repairs. It is quite impossible, therefore, to count on any direct saving on the basis of increased shop and repair track efficiency.

I might say here that as far as the Canadian National Railways are concerned, we have no surplus of freight car facilities.

With regard to the estimated saving due to reduction in freight car mileage—this is a question of transportation efficiency dependent to some extent on track abandonment, and has already been dealt with by our Transportation Officer.

The largest amount in the estimate of savings is due to the preferred use of modern steel cars and closing some shops. Considering that the basis of this estimate was the releasing of only 7,247 cars out of a total of 219,598—(see Exhibit No. 69, page 943)—the increase in range of choice of cars would be negligible. If shops could be closed, savings could be made, but there is no reserve capacity in freight car shops on the C.N.R. It would appear, therefore, that the item of \$1,209,256 has no significance whatever.

Passenger Train Car Repairs: The net saving in passenger train car repairs shown in Exhibit "H" on page 423 is \$1,762,074, and by referring also to Exhibit "H" on page 846 and Exhibit "B" on page 417, it is evident that the estimated saving is made up as follows:—

1—Saving due to application of C.P.R. unit cost..	\$ 65,214
2—Reduced mileage due to cancellation and re-routing of passenger trains.....	1,696,860
Total	\$1,762,074

We can find no logical reason for any saving on the basis of the application of C.P.R. unit costs. The unit costs as reported are normally higher for the C.P.R. than for the C.N.R., and while the use of Pullman cars in international service on the C.N.R. is a disturbing factor, its influence is comparatively slight, the percentage of Pullman car mileage to total passenger car mileage averaging between 5 per cent and 6 per cent. For example, in 1937, the C.N.R. cost per mile was 4.401 cents as compared with 4.641 cents on the C.P.R. The Pullman car mileage for the same year amounted to 5.61 per cent of the total passenger car miles on the C.N.R. and, if adjustment is made for this condition, the repair cost per mile is practically identical on the two railways. The first item of \$65,214 in the estimate therefore has no significance.

The reduction of \$1,556,741 due to curtailment of passenger train service is based on the assumption that passenger car mileage can be reduced by 51,793,173 miles, but whether this reduction could be realized under unified management is a transportation problem and has already been dealt with by our Transportation Officer.

Work Equipment Repairs

The estimated saving of \$371,256 is based on abandonment of 5,000 miles of track, and unless the original proposal for track abandonment can be realized this estimate loses its significance.

Shop Machinery

The estimated saving of \$233,783 is based on a reduction of 12.2 per cent in locomotive mileage, 3.3 per cent in freight car mileage and 14.9 per cent in passenger car mileage. These mileage reductions are dependent on track abandonment and on general reduction in train service. If the estimated abandonment and reductions in train service cannot be realized, the economy cannot be attained.

Now I should like, with your permission, to run over a summary of this.

Mr. BIGGAR: It would be very useful.

The WITNESS (reading):

[Mr. J. Roberts.]

	C.P.R. estimate of savings	Remarks
1. Application of C.P.R. unit cost to locomotive repairs	\$ 3,502,398	Evidence has been submitted that C.N.I. efficiency is of a high standard and good and sufficient reasons given why the C.P.R. unit cost is not applicable to C.N.R. locomotives.
2. Reduction in locomotive mileage.	3,265,244	Based on track abandonment and curtailment of service. Realizable only if these conditions can be attained.
3. Preferred use of modern power and handling repairs at more efficient shops.	997,373	Savings dependent to a large extent on same conditions as Item 2.
4. Application of C.P.R. unit cost to freight car repairs.	639,640	Good and sufficient reasons why reported unit costs are not comparable on the two railways have been given.
5. Reduction in freight car mileage	855,000	Based on track abandonment and curtailment of service. Realizable only if these conditions can be attained.
6. Preferred use of modern steel cars and handling repairs at more efficient shops.	1,209,256	It has been shown that the estimate for this item of saving is based on conditions which are unattainable.
7. Application of C.P.R. unit cost to passenger car repairs.	65,214	It has been clearly demonstrated that there is nothing to support this estimate of saving.
8. Reduction in passenger car mileage.	1,696,860	Based on curtailment of service. Realizable only if mileage can be reduced by over 51,000,000 passenger car miles.
9. Work equipment repairs.	371,256	Based on abandonment of 5,000 miles of track and realizable only if this condition can be attained.
10. Shop machinery.	233,783	Based on general curtailment of service. Realizable only if these conditions can be attained.
11. Superintendence.	1,410,754	This item is being handled by the C.N.R. Comptroller.
12. Other	113,636	Major part of saving apparently based on about 20% staff reduction.
	<hr/> \$14,360,414	

From the above, we believe we are justified in regarding this estimated saving as having been compiled from a basis which was largely conjecture, rather than from proven and reliable data. It is very improbable that the conditions upon which it was based will ever be realized and if this is conceded, the savings are unattainable.

By Mr. Biggar:

Q. Mr. Roberts, I should naturally have been in a much better position to ask you some questions about this if I had seen this memorandum, of even that final statement of figures. But there are two or three points that occurred to me while listening to it. I understand that you deduct from the \$14,360,414 that is estimated by the Canadian Pacific as savings from unification, an amount—your total deduction is what?—A. There were some other items mentioned there.

Q. What is the total amount of the deductions?—A. As shown in Exhibit H?

Q. No, the deductions that you have just given us from that statement.—A. \$14,360,414.

Q. That left about \$54,000 out of the \$14,000,000 odd given on page 423?

Hon. Mr. MURDOCK: No, just the same figure.

By Mr. Biggar:

Q. What was the amount you stated?—A. \$13,360,414.

Q. What deductions have you made?—A. I just do not understand you.

Q. Of course, I have not seen this, but I understood you said that these were a number of items that had to be deducted from \$14,360,414?—A. No, sir; this is a summary of just exactly what I have read, in brief. I have dealt with each item at some length and summarized the whole thing in brief.

Q. You have not given us any indication of what is left, in your view, of the \$14,360,414?—A. How much of that can be saved?

Q. Yes.—A. That, as I say here, largely depends on the ultimate abandonment—

Q. My question was, you have not been able to give us any indication of how much that would be?—A. No.

By Hon. Mr. Dandurand:

Q. You said that would largely depend upon what?—A. On the curtailment of locomotive mileage and freight car mileage and passenger car mileage, whether it is accomplished by unification or in whatever way that is done. Then the mechanical officer will be able to tell you how many passenger and freight car shops and locomotive shops would be required. That is as far as I can go.

By Mr. Biggar:

Q. Is the Canadian National now only equipped with shops that are necessary? Are the shops of the Canadian National used to their full capacity?—

A. May I answer that in this way? Unfortunately for all railways, they have to maintain shops to meet peak conditions. That is, you cannot have a shop to meet a condition under depressed times only.

Q. Quite so.—A. At the present time we have more capacity than actually required.

Q. Have you ever been to capacity?—A. Yes.

Q. When?—A. Well, take the year that we are dealing with, 1930, the shops were working practically to our capacity. In other words—the motive power men will understand this—we were called upon to maintain in that year about 1,300 locomotives, that is, shop 1,300 locomotives, and that is about the capacity of our shops, approximately.

Q. And you would not think by unification you could save any substantial sum without a reduction in the locomotive mileage and car mileage?—A. Do you mean by closing shops and so on?

Q. By the reorganization of divisions and standards of the operations that were carried on, and matters of that kind?—A. Undoubtedly there would be a saving. In other words, if the locomotive mileage is reduced and the freight car mileage is reduced and the passenger car mileage is reduced, it will effect a saving proportionately to the extent that these services are cut down.

Q. I was asking you on the basis that there was no cutting down of locomotive mileage for transportation purposes, but merely a reorganization of these facilities.—A. The only answer I can make intelligently is this, that we have no surplus of freight or passenger car shops.

Q. I was not asking you that. I was asking you with regard to unification. If you had the facilities of both railways at command, could you not make a rearrangement?—A. I would like to answer it in this way, that we have no surplus facilities for handling freight car and passenger car equipment. I am referring to main shops. Under peak conditions we have about what would be required to handle our locomotives under those conditions. Mr. Pyne indicated in his evidence that there were six locomotive shops in the Western region, and he figured that three of those shops could maintain the equipment. I am not just clear what Mr. Pyne had in mind, but I presume that he was speaking of the Canadian National shop in Winnipeg, Fort Rouge, which was formerly a Canadian Northern shop, and the Grand Trunk Pacific shop at Transcona, and the Canadian Pacific shop at Weston, and then the Ogden shop at Calgary. Now, that would make four major shops. In addition to that the Canadian National have two small shops which I would not consider main shops, but which are usually referred to as back shops. One is at Calder, outside of Edmonton, and the other at Port Mann, outside of Vancouver. As I understood it, Mr. Pyne said that the equipment might be maintained at three of the major shops. Now,

[Mr. J. Roberts.]

that would largely depend on the number of locomotives that would require to be repaired. I cannot answer that. I know what our own condition is, but I do not know what the Canadian Pacific condition is.

Q. You have told me that, but suppose that no proposal had ever been made on this at all. Forget the Canadian Pacific proposal for a few minutes and try to help the committee. Just tell us whether, from your experience and your general knowledge, you think or do not think that if you had the facilities of both these railways at your command, in respect of shops, you could make a saving in the handling of the kind of work that now has to be done?—A. Yes, I believe you could.

Q. Have you any idea of the amount that that would be?—A. No, I could not give any answer to it.

By Hon. Mr. Parent:

Q. That would depend on the number of lines abandoned?—A. It would depend on the number of units to be maintained.

MR. BIGGAR: I put the question very clearly, on the assumption of the same number of trains and same mileage operated as now.

By Hon. Mr. Haig:

Q. Take Winnipeg, Mr. Roberts, which includes Transcona. What capacity did you use of the shops at Fort Rouge and Transcona, say in 1937?—A. They are used to full capacity, on a forty-hour-week basis. That has been our standard week for a considerable time; although our wage agreement calls for forty-four hours, it has been reduced since 1932 and we have never worked any more than forty hours per week; and it has become a standard with most railways.

Q. My memory may be wrong, but I have a distinct recollection that you had holidays every now and then?—A. Ye, we have made curtailments by closing the shops down and by reducing staffs.

Q. Your Transcona shops are very well equipped, are they not?—A. It is a very good shop.

Q. They are high standard shops, are they not?—A. Yes, fair.

Q. Could not all the work be done there and at the Fort Rouge shops?—A. I do not think so, under present conditions.

Q. On a 44-hour week, and working all the year round?—A. I do not think so.

Q. And on the business you are doing to-day?—A. No, I do not think so, even to-day.

Q. I point out to you that it has been stated that the Canadian National is \$9,000,000 worse off so far this year than it was a year ago. How do you propose to meet that?—A. That is not my problem, sir.

By Hon. Mr. Coté:

Q. You said that 1930 was a peak year?—A. No, I did not say that; 1928 was the peak year, but 1930 was a fairly high year. In other words, we repaired 1,300 locomotives in 1930, as possibly against 800 in 1937.

By Right Hon. Mr. Meighen:

Q. What was the reason you had a peak year for repairs that was not a peak year in traffic?—A. If you wear out your locomotives in 1928 you may have to repair them a couple of years later. If you have a peak year this year, in all probability you will find that the locomotive shops will be busier the following year or the year after.

Q. Especially if it is election year.—A. And apart from that, sir, we are governed by the Board of Railway Commissioners' rules, which compel us to

give the locomotives an internal inspection every four years. Now, it is quite possible you may have a large accumulation of locomotives due for general shopping on that account in one year than you would in another year. It fluctuates.

By Mr. Biggar:

Q. I had understood you to say that all your shop facilities were being used to capacity in 1930?—A. Yes.

Q. But they are not now, under present conditions?—A. They are at the present time on a reduced working-hour basis.

By Hon. Mr. Haig:

Q. That is not capacity. If I were sitting one day a week in the Senate I could say I was working to capacity, but I could work five days.—A. Of course, the capacity of the shop is determined by the facilities of the shop to accommodate so many locomotives.

Q. Take Transcona. How many could you handle there in a week of 44 hours, working every week of the year?—A. Do you mean per week or per month?

Q. Per year, if you work 44 hours per week.—A. In 1930, the year we are dealing with, they handled 174 locomotives through the shop.

Q. How many last year?—A. In 1937, 81.

Q. You were not working to capacity by half: that is what I mean.—A. Of course, that does not affect the question of the shop at all. That is affected by the number of men employed and the hours worked.

Q. Take Winnipeg. You really don't need the Fort Rouge shop if you work the Transcona shop to capacity.—A. Under peak conditions we would require it.

Q. Like 1928?—A. If we have a big wheat crop this year it might affect it considerably.

Q. At least you are an optimist.

By Mr. Biggar:

Q. The 174 locomotives you mentioned for 1930, would that be peak?—A. No, but it is a fairly big year.

Q. You led me to understand that all the shops were working to capacity in 1930. What is your peak year for one shop?—A. I have not that information here. I can get it.

Q. What is the fact about the shops working to capacity?—A. We have a capacity for repairing 1,300 locomotives per year. It is quite possible in any year you may not have to repair that number of locomotives. That is all I can say.

By Hon. Mr. Casgrain:

Q. In the States the railway companies do not manufacture their locomotives; they buy them and find it the better policy.—A. We buy our new locomotives.

Q. You do not manufacture them?—A. We repair them.

By Hon. Mr. Horsey:

Q. I understood you to say the installation of specialties to new engines was charged to expenses. What is the practice?—A. It varies. A certain amount is charged to capital, and a certain amount to expenses.

Q. Do you mean all repairs are charged to maintenance expenses?—A. Yes, to maintenance expenses.

[Mr. J. Roberts.]

By Hon. Mr. Black:

Q. Mr. Roberts, is it not a fair deduction from what you have said that the work of the shops at Winnipeg is at about 50 per cent capacity—A. No, I would not say that.

Q. How is it they repair only 80 engines when they have repaired in other years 170?—A. We were called upon to make a reduction in expenses, which can be accomplished in two ways, either by reduction in hours or in men.

Q. You did have a reduction in the hours of the staff, and you had some extra lay-offs. If you had not those the capacity of your shops is what you do in regular hours per week working all the time. So your turnover must have been less than half of the capacity last year?—A. You mean we have more engine or shop capacity than we actually use?

Q. You did last year?—A. That is quite true.

Q. I thought you misunderstood what you were being asked?—A. No.

By Hon. Mr. Gordon:

Q. As a layman I do not understand the measurement of so many locomotives a year, 80 or 180, because would it not be the fact that some locomotives would come in requiring only minor repairs and others very extensive repairs?—A. That is quite true. At one time the American Railway Association classified repairs by number. No. 1 was the highest class and it graded down to No. 6.

By the Chairman (Right Hon. Mr. Graham):

Q. Major operations?—A. Yes. But generally speaking we endeavour to put our locomotives into our main shops for what would be termed general repairs. As Mr. Pyne said, you are called upon to shop locomotives according to tire wear. You may have to take a locomotive in because the tires are beyond the limit of wear. At that time you do a certain amount of work to the machinery. But at the end of four years, according to the Board of Railway Commissioners rules, you must give that engine an internal inspection, and at the end of five years an external inspection. The internal inspection means stripping the tubes out. We try to govern ourselves by what we call Drop Mileage repairs. When the engine is given that general repair and inspection it starts out as a new engine at zero and builds up in mileage until that happens again.

By Hon. Mr. Casgrain:

Q. How long is the life of a locomotive?—A. A great many people have endeavoured to answer that, sir. I could not tell you. If you keep on rebuilding, as Mr. Newman pointed out the other day, it is indefinite.

By Hon. Mr. Gordon:

Q. Some time ago you stated the Canadian National have something over 300 different classes of locomotives and the C.P.R. about 120. You have criticized the estimate which they made on that basis, that is, owing to your having so many more classes of locomotives than they have, it necessarily would cost more. Do you not think that when giving their estimate they would figure that a great many of these classes that you have are gradually becoming obsolete or uneconomic to use and would gradually be replaced, and that logically the cost would necessarily be less as these classes were reduced?—A. I have no idea, sir, what they had in mind, but I am satisfied on this point, that they have no intention of scrapping usable locomotives. I am satisfied

also on this point, that if we have the condition in the West this year which we anticipate and hope for, every available locomotive on the Canadian Pacific and the Canadian National will be employed to its fullest extent.

Q. Are all these 300 odd different classes desirable to keep?—A. Absolutely.

Q. They are?—A. With this reservation. We are scrapping locomotives every year and gradually reducing this number of classes, but not to any very large extent.

By Hon. Mr. Robinson:

Q. Was not this large number of classes brought about largely by amalgamation of so many different roads?—A. All of the four railroads had their own mechanical department, their own standard of locomotive, their own shops, their own methods of maintaining their equipment, and so forth, and so on, and that whole thing brought into the picture had to be standardized to some reasonable degree.

Q. You are improving that all the time?—A. We are making progress every day. I think we have made remarkable progress under the circumstances in the last ten years.

By Hon. Mr. Buchanan:

Q. You quoted Mr. Payne that under unification there would be a cutting out of three shops?—A. Yes, he mentioned that.

Q. Would it be possible under co-operation to eliminate any of those western shops and make joint use of one or two shops at Winnipeg instead of three?—A. I would say that largely depends on the principle which might develop out of unification or co-operation. If you reduce the locomotive mileage, then of course you can make substantial savings according to the reduction in mileage.

Q. They are over capacity now for the two railways at Winnipeg?—A. I don't know anything about the C.P.R. capacity, I don't know what they have. I know what we have to-day is what we require.

By the Chairman (Hon. Mr. Beaubien):

Q. Mr. Roberts, if we had unification we would do away with a lot of competing trains, would we not?—A. I would presume so.

Q. If we did away with all competing trains it would reduce the car miles, and it would be reflected of course in the item which you are now considering of maintenance of equipment?—A. Yes, sir.

Q. Don't you think, apart from all the different factors which you have mentioned separately, that there would be a very large saving?—A. No, I don't think so.

Q. You do not think so?—A. No, sir.

Q. You do not think if we could cut off a lot of duplicate trains, all competing trains, by unification it would reduce at all your account of maintenance of equipment?—A. I misunderstood you, Mr. Chairman. If you reduce your locomotive mileage your maintenance cost will come down proportionately.

Q. Don't you think that would represent a very substantial amount?—A. No, I don't think it would be a substantial amount, nothing like the figure mentioned here.

Q. Give us your idea of what you call "substantial."—A. I could not. I don't know how many miles you are going to cut off.

By Hon. Mr. Black:

Q. Supposing, Mr. Roberts, we had complete co-operation, with elimination of duplicate trains and that kind of thing, running the two roads on a basis that a business man would run them, without amalgamation or unification of

[Mr. J. Roberts.]

the management at all, there could be a considerable saving, could there not? I am talking now about real co-operation between the two roads.—A. It is not for me to answer the question directly, but I want to say this. Under co-operation or any other system of management, if you cut off the locomotive mileage and the car mileage, we will make a saving proportionately with that cut; and that is all any mechanical officer can say or do.

By the Chairman (Hon. Mr. Beaubien):

Q. You will not say whether that is considerable or not?—A. No, I do not know. It is not for me to say. I am simply a mechanical officer.

By Hon. Mr. Casgrain:

Q. The United States railways buy what they need, they don't manufacture themselves and they don't repair themselves, and they have no shops, that is most of them.—A. They do the same as we do.

Q. They have shops?—A. Yes.

Q. And they build their own locomotives?—A. No, not very often. They repair them.

Hon. Mr. BUCHANAN: How many more witnesses are we going to hear?

Mr. BIGGAR: There are four more officers of the Canadian National on this list.

Hon. Mr. BUCHANAN: When are we likely to finish hearing evidence?

Mr. BIGGAR: That depends on the members of the committee.

Hon. Mr. BUCHANAN: Is Sir Edward Beatty to appear before the committee again?

Mr. BIGGAR: That is the intention. Inquiry was made of me as to when his appearance should be arranged for, but I have been unable to say because I did not know how continuously the committee was going to sit.

Hon. Mr. McRAE: Are we likely to have a meeting to-morrow?

Hon. Mr. DANDURAND: Yes. I was hoping the evidence would close to-morrow afternoon or evening.

Hon. Mr. McRAE: It might close to-night.

Hon. Mr. DANDURAND: I think we should decide at 6 o'clock to-night to continue at 8 o'clock, and so make sure of closing by to-morrow evening the evidence concerning the estimates of the Canadian Pacific.

The committee adjourned, to resume after the Senate rises this afternoon.

The committee resumed at 3.40 p.m.

The CHAIRMAN (Hon. Mr. Beaubien): Gentlemen, we have a quorum. We are ready to proceed.

Mr. BIGGAR: Do we want Mr. Roberts back? I was going to ask whether the committee thinks it useful to go into any of these details. There is a point with regard to this difference of unit cost as between the Canadian National and the Canadian Pacific, particularly on locomotive repairs, with respect to which I did not follow exactly what Mr. Roberts said, and with respect to which I was thinking before lunch of asking some questions. But it occurred to me that after all the committee may not attempt to follow all the witnesses through this labyrinth of figures, in which case there is no need to go into these details at this stage. It is just whatever the committee thinks about it.

Hon. Mr. DANDURAND: I wonder if Mr. Rand is here.

Mr. BIGGAR: Yes, he is here.

Hon. Mr. DANDURAND: We have allowed the Canadian Pacific to make its case as to the amount of the saving. The statement of Sir Edward Beatty has been made and supported. Now, I do not know what may be the conclusions which the witnesses of the Canadian National are about to reach, but I should not like to hamper them if there are some conclusions to be drawn from their statements. That is the question which bothers me. I should like to give as fair a hearing to their statement as has been given to the evidence of the witnesses of the Canadian Pacific, under the guidance of my friend Mr. Flintoft, which had for its object the establishment of savings. So I leave it with Mr. Rand as to the advisability of expanding or contracting the evidence that is before us.

Mr. RAND: I do not think the statements that may be made from now on would be very lengthy. They will consider the items that remain to be considered. There will be, for instance, Mr. Johnston and Mr. Vaughan, dealing with passenger train miles and traffic generally. And Mr. Vaughan will deal with some of the more general items. If the committee desires, Mr. Fairweather will be here for such questioning as the committee thinks proper. We are entirely in the hands of the committee.

Hon. Mr. HAIG: Mr. Chairman, I still want to press—I do not know whether Mr. Rand is the right man to address my remarks to or not—that this committee was appointed for the special purpose of inquiring into and reporting upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto. I have heard Sir Edward Beatty say what he could do, and I have heard statements which were submitted to back up his argument. Now, we have had the Canadian National experts to show, or to try to show, that his figures were all wrong, all hay-wire.

Hon. Mr. DANDURAND: Not all wrong.

Hon. Mr. HAIG: Pretty nearly that. Hay-wire, I think, is the word to use. But I have not yet heard a word—I am hoping to hear it—to back up what Mr. Fairweather said—or maybe I should put the responsibility more properly on Mr. Hungerford—that we should have compulsory co-operation. I have heard no evidence to back up that argument, and honestly I think we should have some evidence on that.

Hon. Mr. DANDURAND: I think we have.

Mr. RAND: I think that feature will be dealt with by Mr. Vaughan, and I believe he will be able to give some satisfactory statement on it.

Hon. Mr. HAIG: You realize that you have had five years, and \$1,700,000 is the maximum. I am just pointing out the thing you have to have in the back of your head. This year you have run behind, I presume, \$10,000,000. Now, I want—and maybe I am the only one who wants it—some suggestion. I want to know if there is anything that can be accomplished by compulsory co-operation. I am personally desperately against it, because I think that what Senator Murdock says will happen under amalgamation will happen under compulsory co-operation, only a hundred times worse. What I want is an outline as to whether compulsory co-operation can save any money, having in mind that the companies went back \$12,000,000.

The CHAIRMAN (Right Hon. Mr. Graham): We are not going to save any time this way.

Hon. Mr. HAIG: Oh, yes, we are. Senator Dandurand has said he wants the C.P.R. statements measured by the yardstick of our own experts. I have no objection to that; but I look at the order of the Senate, and as yet I have heard no suggestion from the other side as to how that proposition can be met. I think we are entitled to have that information. If the Canadian National cannot give it, perhaps we should go somewhere else to get it.

[Mr. I. C. Rand, K.C.]

Mr. RAND: There is this about it. You have had before you the two Chairmen of the Co-operative Committee who were working on this for four years. That has been somewhat dealt with, and we will deal with it more specifically. But as to the principle of compulsion, I do not suppose that depends on the particular project that may be dealt with. That principle of compulsory co-operation has already been adumbrated by the two Chairmen, but it will be stated more specifically by Mr. Vaughan.

Hon. Mr. HORSEY: I see the question Mr. Biggar was going to ask the witness in regard to the unit cost.

Mr. BIGGAR: I will ask him now.

J. ROBERTS was recalled as a witness, and took the stand.

By Mr. Biggar:

Q. Mr. Roberts, the point I was going to direct your attention to was this. You were dealing with steam locomotive repairs, and I think you pointed out this morning that those were on the basis, as far as 1930 was concerned, of 17 cents per locomotive mile for the Canadian Pacific and 22 cents for the Canadian National, and in 1937, 16 cents for the Canadian Pacific and 20 cents for the Canadian National. And the first of the causes you gave for that was that the average tractive effort of the locomotives of the C.N.R. was 13·45 per cent higher than on the C.P.R. without including booster capacity and, consequently the adjustment of 13·45 per cent would not be unfair to the C.P.R. for purposes of comparison. Did you mean by that that with an engine or locomotive power which was 13·45 per cent higher your locomotive would cost that much more to repair?—A. No, sir, but I think you will agree that it would cost more money to maintain a large engine than to maintain a smaller one.

Q. As a matter of fact, Mr. Newman told us it did not.—A. I am asking you to agree to this. If you have a large engine, say with four pair of wheels, as against one with three pair of wheels, it would cost more to maintain the larger one. You have more machinery, rods, cranks, axles and so on.

By Hon. Mr. Hugessen:

Q. And more tires to replace.—A. And more tires to replace.

By Hon. Mr. Murdock:

Q. And you have more tractive capacity.—A. In order to analyse this and make it as simple as possible for your committee, we have taken the best method of making an adjustment to compensate for the larger locomotives. That same method was adopted by Mr. Parker in analysing the Duff report. There are possibly three methods whereby you could arrive at a compensation for more tractive effort or larger engines. You may take a horse-power basis, you may take the weight of the locomotive, or you may take the tractive effort. We think the tractive effort method is perhaps the fairest. They are all faulty, more or less; not accurate. Our method of applying this adjustment of tractive effort would be grossly unfair if you were dealing with a few locomotives, half a dozen or so, for the reason that it would be quite possible to raise the boiler pressure of a locomotive and increase your tractive effort without changing your machinery. But in dealing with 2,700 locomotives, as they stand to-day on the Canadian National Railway, from the smallest to the largest, we think that taking the tractive effort of the group is the fairest way to compensate for the larger power.

Q. I find in Mr. Newman's evidence at page 808, the following:—

It is the more modern power and the larger power that is utilized to the greatest extent, and we find that with our larger and our better power, which goes out and performs astonishing mileages to the extent

that they are shopped about every thirteen or fourteen months, the actual costs per mile are on the shop basis better than for the older equipment.

Would you agree or disagree with that statement?—A. I think possibly on a mileage basis I would agree.

Q. Then you would not make any allowance on these unit costs per locomotive mile in that respect?—A. It would have an influence, but still it does not alter the effect.

Q. It would have an influence, rather, in the way of reducing the units, that the units are larger— —A. Our experience is that it costs more to maintain a large engine than a small engine.

Q. Then you do disagree?—A. Yes, in effect.

Q. The next ground was that the Canadian National had 214 classes of locomotives, and the C.P.R. only 124.—A. Yes, sir.

Q. Now, I suppose if the power was pooled you would find that a great many of the 124 classes of the C.P.R. correspond with classes of the Canadian National.—A. That may be so, I would not deny that.

Q. And as a matter of fact that would help you to reduce the number of types in service?—A. Yes, in the aggregate it would; but still you would have a very much larger number of classes to maintain as compared with the C.P.R.'s figure of to-day.

Q. Would you agree with Mr. Newman's statement that by pooling of power you could use the power more economically?—A. I would.

Q. So, if you could eliminate some of your odd types, there would be a saving as a result?—A. Obviously that would be true.

Q. The third ground was that the C.N.R. locomotives had been modernized to a greater extent than those of the C.P.R. by the application of certain devices, and that they cost money to maintain. Do you mean to say that by reason of this the shopping of the locomotives costs more?—A. Yes, sir.

Q. Can you give any figure for that?—A. I haven't the exact cost of maintaining each specialty.

Q. After all, the spread between these two unit costs is 5 cents in 1930 and 4 cents in 1937. I suppose all these things are a very small proportion of the cost of your power?—A. Oh, no, there is quite a large number of specialties on the locomotive and every additional specialty requires additional maintenance.

Q. But the total cost of all these specialties must be an insignificant percentage of the total cost of all the engines?—A. I couldn't tell you what the cost would be, but it would be considerable.

Q. To the order of what per cent?—A. I could not give you that. But I want to point out this, taking the figures from Sir Edward Beatty's last report to his shareholders. He gave a list of these specialties, and I have taken the Canadian National figures and compared them with those of the C.P.R. For instance, the Canadian National have 2,537 engines superheated as against 1,791 on the C.P.R. The Canadian National have 700 engines equipped with mechanical stokers as against 232 on the C.P.R.

Q. I was assuming something like that.—A. And so it goes down the line. Now, these appliances are very intricate devices. For instance, the mechanical stokers require considerable work for reconditioning and maintenance.

Q. What I am really pointing out to you is that it would not appear to me that you had any idea of whether it was practicable or not to instal these things.—A. Oh, yes.

Q. I say, you would not have any idea whether it was practicable or not to instal these things unless you knew what the total cost of installing them was, I mean by how much it increased the cost of your power and how much it cost extra to shop the engines by reason of their having these devices on them.—A. That could be gotten.

[Mr. J. Roberts.]

Q. And I was asking you how much it cost you to shop these engines with these devices, and what difference they made in these unit costs.—A. I have not got the figures here, but I could get them for you in reasonable time.

Q. I think it would be interesting to know to what extent you think that enters into this difference of five cents and four cents.

By Hon. Mr. Black:

Q. These mechanical stokers that you refer to take the place of a fireman, I assume, on your engine?—A. No, sir, they do not take the place of a fireman, but they enable us to fire more efficiently, and particularly if we are using Maritime Provinces coal in preference to United States coal.

By Hon. Mr. Haig:

Q. What is the difference?—A. The characteristic of the coal is such that it is very difficult on a large firebox to fire by hand, whereas the mechanical stoker gives a better distribution of fuel and a more constant firing. In fact, on a large locomotive a fireman could not maintain a constant steam pressure by hand firing. Mr. Newman, or any other mechanical engineer, will agree with that.

By Hon. Mr. Horsey:

Q. That is with Maritime coal?—A. Yes.

Q. But he could with the American coal, could he?—A. Well, on some engines, no, with either coal he could not.

By Hon. Mr. Black:

Q. The mechanical stokers are considered an efficiency installation? They lower maintenance costs, do they?—A. No, they increase your maintenance costs per locomotive, but they should and do reduce your coal consumption.

Q. Do you think that offsets the increased maintenance costs?—A. Yes, most of those devices, super heating, mechanical stokers, and so on, are all fuel-saving devices.

By Mr. Biggar:

Q. The fourth ground upon which you put the difference was that locomotive mileage in a level prairie country involved less shopping of power per mile than in other kinds of country?—A. Yes.

Q. But Mr. Newman told us, I think, that the difficulty about prairie country was that the water had a bad effect on the internal economy of engines and that the cost of shopping engines on the level prairies was actually higher than it was in the East, where the country was not so level perhaps but the water was better. Do you disagree with him about that?—A. No, that would apply to certain sections of the country. There are good and bad water districts.

Q. What allowance did you make in that respect under this fourth head?—A. Our experience is that we can take more service out of our engines in the prairie country than in the Maritime Provinces, where we have heavy grades and curvatures to contend with.

Q. After all, the Canadian Pacific have heavy grades and curvatures to contend with across Maine?—A. Yes, but not to the same extent as the Canadian National. In other words, the Canadian Pacific have a larger operation in the Prairie Provinces than we have, and we have a larger and more difficult operation in the East than they have. Our heavy manifest freight train from Chicago to Montreal and through to Boston, and so forth, is a much more severe operation on the locomotive.

Q. Have you got figures for the whole system in that respect and do you know how much extra shopping is due to bad water and how much is due to heavy grades and curves?—A. No, I did not go into that.

Q. So you do not know how that balances out?—A. Not any more than in a general way. It is worthy of a compensation, but I did not make any compensation for it.

Q. You did not make any calculation?—A. No, neither did I ask for any consideration for it.

Q. You have not made any examination of the whole system so far as you can with a view to finding out what if any economies could be made by pooling the power?—A. It is quite true if you had the combined assignment of locomotives of the Canadian Pacific and Canadian National you would utilize them to better advantage.

Q. But you have made no study of how much that might mean in money?—A. No sir, I have not.

Mr. BIGGAR: The committee sees the difficulty about details of that kind, about water and grades and that sort of thing. I doubt the utility of going into questions of that kind. I think if we really examined into them we should never finish.

The CHAIRMAN (Hon Mr. Beaubien): Any further questions of Mr. Roberts?

C. W. JOHNSTON, General Passenger Traffic Manager, Canadian National Railways, appeared as a witness and took the stand.

By Mr. Biggar:

Q. Mr. Johnston, I understand you are the General Passenger Traffic Manager for the Canadian National Railways?—A. Yes sir.

Q. And you are going to deal with that part of the Canadian Pacific's estimate that related to passenger train miles?—A. Yes sir.

Q. Have you got a memorandum with regard to that?—A. I have, sir.

Q. Will you read it.—A. I am going to deal with page 940 of the record, Exhibit 63. On the question of savings in passenger train miles, the Canadian National Railways position is that these economies can be effected in competitive duplicate passenger train service by co-operation. The sections which lend themselves to this treatment are detailed to a large extent in Canadian Pacific Exhibit No. 63 on page 940 of the record. Our list of these estimated possible reductions is as follows, subject, of course, to the approval of the Board of Railway Commissioners:

Toronto-Hamilton-Windsor.....	565,678	Passenger train miles.
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By Mr. Biggar:

Q. That agrees with the figure on page 940?—A. Yes sir. Then it goes on:

Toronto-Hamilton..	54,080	passenger train miles
Montreal Suburban..	148,000	" " "

Q. That is instead of the 152,440 passenger train miles shown on page 940?—A. There are some replacements allowed for there, Mr. Biggar.

Q. You take off about 4,000 miles for that?—A. Yes. Then:

Ottawa-Pembroke..	103,000	passenger train miles
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That is not in there. That may be covered in their local mileage; I do not know.

[Mr. C. W. Johnston.]

By Hon. Mr. Haig:

Q. That is passenger train miles?—A. Yes, sir. Then:

St. Therese-St. Eustache... 8,000 passenger train miles

That also may be included; I do not know. And:

Regina-Saskatoon-Prince Albert..	214,000	passenger train miles
Winnipeg-Regina..	190,000	" " "
Saskatoon-Edmonton..	230,368	" " "
Regina-Weyburn..	44,000	" " "
Winnipeg-Port Arthur..	18,000	" " "
Transcontinental, East of Winnipeg..	892,181	" " "

That totals up to 2,467,307 passenger train miles.

By Mr. Biggar:

Q. That is instead of the 3,508,413 shown in Exhibit 63?—A. I may deal with that later, perhaps.

Q. All right. Will you proceed with your memorandum?—A. As to the saving in local train mileage, without actual details of the trains covered in the Canadian Pacific submission under the heading of "Locals," I am unable to comment. In so far as the Canadian National Railways is concerned, local train mileage has been reduced to the minimum and we believe to the limit that the Board of Railway Commissioners will permit. In fact, we have now reached the position where the Board have ordered the restoration of services.

That is the end of the memorandum. That tallies very closely with the estimate made by Mr. Foster and myself back in 1933, when we examined into it very closely and made our report to the Joint Co-operative Committee, if you make allowances for pooling services that have been taken out, and also some reductions made in the meantime. As to the difference between 2,467,307 and 3,508,413, I have listed some trains in there that they have not included but which they have possibly covered under their locals. I do not know how they arrive at the 1,410,726 passenger train miles that they have under "Locals"; I cannot check it, and the only assumption I have is that much of that mileage must be on that 5,000 mile abandonment—I fancy so, I do not know.

Q. Have you made any independent study yourself?—A. This is the study.

Q. But I mean any independent study?—A. The locals?

Q. Of what can be saved by unification in the way of passenger train miles?—A. This is the study, sir.

Q. But you are criticizing the other?—A. No, sir, I am not criticizing at all, I am trying to be helpful.

By Hon. Mr. Parent:

Q. This is your own statement you are making?—A. Yes, sir.

By Hon. Mr. Robinson:

Q. This is under co-operation, I understand?—A. Yes.

By Mr. Biggar:

Q. These figures that you have given us are the figures that you think are the limit of what could be reached under unification?—A. No; under co-operation.

Q. I asked you about unification.—A. Well, I would say also, so far as I am concerned, under unification, because in the approach that Mr. Foster and I made in the estimates back in 1933—if you will read the letters already on exhibit, you will see we approached it from the standpoint as if the lines were operated as a unit.

Q. That is what I had in mind, that the figures that you have given are figures covering complete savings that could be effected by unification?—A. Yes.

Q. And if I followed you, those are the same so far as that first Transcontinental item is concerned?—A. Yes.

Q. They omit altogether the Montreal-Ottawa mileage, if I followed you?—A. Yes, I omit that.

Q. And then you are the same, so far as Toronto-Windsor is concerned?—A. Yes.

Q. And the same so far as Toronto-Hamilton is concerned?—A. Yes.

Q. And I think you dropped the Regina-Saskatoon figure of 118,260 miles and substituted a smaller figure, but I did not get that.—A. I raised that, sir, up to 214,000 miles.

Q. And Saskatoon-Edmonton, you are the same on that, I think, 230,368?—A. Yes.

Q. And all you have got left for the figure of 1,410,726 miles, for locals is 103,000 and 8,000 and 44,000 and 18,000?—A. Yes.

Q. Can you tell me what the total of those is?—A. No, I did not figure that.

Q. That is 173,000 instead of 1,410,726. Then, you are the same so far as the suburban mileage is concerned, 152,440 miles, except for the 4,000 miles that you take off.—A. They did not know our figure in there, and it is a study we made afterwards. Our figure happened to be \$148,000.

Q. Don't you think any saving could be made at all between Montreal and Ottawa?—A. No, sir.

Q. Have you examined all the other locals to see whether there are any other conceivable ones?—A. No. I think so far as Canadian National Railways are concerned, we are right down to the limit. In other words, we have had to make replacements. There are some we have been ordered to replace by the Railway Board.

Q. Have you considered it from the point of view of the possible increase of service on one duplicating line to balance the reduction on another?—A. Oh, yes. That was all taken into account here when Mr. Foster and I made the study.

By Hon. Mr. Black:

Q. Suppose you eliminate those 2,467,000 train miles under co-operative agreement, what would be the saving in money?—A. There has been a yardstick put forward of \$1 a train mile, and I think it is as good as anything you could use. In other words, you are going to have to transfer some cars of one train to another train, and you may not get exactly that figure, but the C.P.R. used it.

By Mr. Biggar:

Q. You have not got anything in this at all of the Maritime Provinces?—A. Not a thing, sir. Everything down there is right down to the bone.

Q. As far as you know on both railways?—A. As far as I know on both railways.

By Hon. Mr. Haig:

Q. Is that true of Prince Edward Island?—A. Don't start Prince Edward Island. They are after more services now.

By Right Hon. Mr. Meighen:

Q. Mr. Johnston, you say what you have stated can be obtained by co-operation.—A. I have used the word "co-operation," sir, because it was approached from both standpoints, co-operation and both lines operated as a unit.

[Mr. C. W. Johnston.]

Q. Can you give an estimate of how many years it will take to get to first base?—A. On this?

Q. Yes.—A. I thought we were right up to the trough and ready to drink, but we did not drink.

By Hon. Mr. McRae:

Q. Is not voluntary co-operation as dead as Julius Caesar in the railway business?—A. I think so.

By Hon. Mr. Murdock:

Q. Would not compulsory co-operation lead unquestionably to amalgamation?—A. I think it would.

By Hon. Mr. Parent:

Q. It is only an expression of opinion?—A. Yes, but I don't see how it could be otherwise.

Q. Have you anything to base your judgment upon?

Hon. Mr. BLACK: According to that statement, Mr. Chairman, it means we cannot co-operate, and we cannot force co-operation. So we must go on continually losing money to a greater amount each year. That is the only alternative.

Hon. Mr. DANDURAND: This parliament has decided in favour of compulsory co-operation. It is embodied in the law. It has not been carried out. The question is: can it be carried out by a slight alteration of the *modus operandi*?

Right Hon. Mr. MEIGHEN: If you carry it out you are going to land up in amalgamation.

Hon. Mr. DANDURAND: Perhaps, but not as soon as with unification.

Hon. Mr. MURDOCK: Because of the fact that it would be claimed as confiscation of a privately-operated road, and that privately-operated road surely would go into the courts and claim that it had been confiscated, and therefore should be paid for confiscation.

The WITNESS: I said it might lead to that. I don't want to say I know definitely. I think under compulsory co-operation you could get many of these economies. I don't want to be understood as having said it would mean amalgamation.

By Hon. Mr. Haig:

Q. But take west of Toronto between Chicago and Toronto, if you had compulsory arbitration you would have to wind up with the C.N.R. line?—A. Yes, but partly only.

Q. That would mean taking up all the C.P.R. connection.—A. It would be just a transfer of the connection.

Q. But their whole set-up there would be changed?—A. Their set-up would be changed. It would be a transfer from their connection, from the Michigan Central, over to the Grand Trunk.

By Hon. Mr. Côté:

Q. Don't you think compulsory co-operation is a misnomer? If it is compulsory it is not co-operation. It is enforced unification of the particular service under that scheme. After all, when you put into effect what we call a co-operative scheme, if you do it willingly that is co-operation, but if somebody else does it for you by compulsion you have unification of that particular service.—A. I think you can get under compulsory co-operation any reasonable and sane economies.

Q. But it involves unifying that particular branch of the service?—A. It does to an extent.

Q. You are using the facilities of the unified organization. I think compulsory co-operation is a misnomer.—A. I am talking of the passenger service.

Hon. Mr. ROBINSON: I think it is.

By Hon. Mr. Parent:

Q. Have the figures you have given been discussed with an officer of the C.P.R., Mr. Foster?—A. They have all been practically run over with him.

Q. Have any of those figures been submitted to the co-operative committee which have not been given effect to?—A. Yes.

Q. In spite of your recommendation, both of you?—A. We had to make a report to that committee.

Q. You have not been asked for a report?—A. Yes. These services I have included there were included in that report practically. There are some differences because of reductions made in the meantime.

By Hon. Mr. Horsey:

Q. Under compelled co-operation these two systems will lose their separate identities eventually?—A. No. I hope I have not left that impression. Somebody tried to make me say that it would lead to amalgamation. I don't think it would lead to amalgamation, not under compulsory co-operation.

By Right Hon. Mr. Meighen:

Q. Mr. Johnston, your answer was pretty direct to the question.—A. I should like to have that correction made.

Q. For that matter, any kind of co-operation is a measure of unification in detail. Is it not in fact unification piece-meal? It may only get so far, but to the extent it gets anywhere, to that exact extent it is unification.—A. No, I would not say that, sir.

Q. What is it? You can only save money by some form of unification of services. It may be in a detached place, in a single unit or in three units, but you only save money by a unification of services in that limited sphere. Is not that true?—A. Yes, within that sphere.

Q. And to the extent therefore that you have those several acts of co-operation, you have the same number of acts of unification?—A. I do not follow.

Q. Each act of co-operation, if it is a saving, is in any sphere in which it is a saving a unification of service of one kind or the other, to the public or to yourselves.

By Hon. Mr. Robinson:

Q. I think unification means only one thing, complete union of the two roads.

Right Hon. Mr. MEIGHEN: That is 100 per cent unification. Senator Robinson's head is not so bad that it does not follow me quite clearly.

By Right Hon. Mr. Meighen:

Q. What you are really doing so far as you are doing anything by co-operation is that you are unifying step by step. They may be small steps, but they must be unifying or they are getting nowhere. Except by unifying you cannot save. Is not that true?—A. There is a principle involved there, yes.

Q. And therefore to the extent that you are unifying you are saving?

By Hon. Mr. Murdock:

Q. You have got unification in passenger train service between here and Toronto, for example?—A. Yes.

[Mr. C. W. Johnston.]

By Hon. Mr. Horsey:

Q. But under compelled co-operation they never lose the identity of the systems?—A. That is what I want to make clear.

By Right Hon. Mr. Meighen:

Q. There is always a sphere in which they do not co-operate, and therefore the identity to that extent is preserved; but to the extent they do co-operate the identity is merged, and therefore complete co-operation is complete unification.

Hon. Mr. HORSEY: Only in principle.

Hon. Mr. DANDURAND: When Senator Meighen introduced the Canadian National-Canadian Pacific Act into the Senate he had to explain to us the necessity of minimizing competition in various lines and bringing the two railways together for the purpose of effecting economies.

Right Hon. Mr. MEIGHEN: That is right.

Hon. Mr. DANDURAND: But Senator Meighen added, and it is in that Act, "But you shall not amalgamate."

Right Hon. Mr. MEIGHEN: Sure.

Hon. Mr. DANDURAND: So we are moving towards economies by abolishing competition in various lines, bringing them together by pooling trains and running rights, and joining certain services, but maintaining those two entities quite separate and generally in a healthy state of competition, but not to the extent of amalgamation.

Right Hon. Mr. MEIGHEN: That is not an unfair statement of my position at all, but the logical conclusion still is here. It was hoped at that time that we could proceed sufficiently to enable us to stand the financial strain by this gradual process of co-operation under that Act. But the process has been so stagnant that we have got nowhere at all, and we are seeking some way of getting there faster.

The WITNESS: If we cannot get it by co-operation, let us have compulsory co-operation.

Hon. Mr. MURDOCK: If you do that are you not then going into the game of confiscation and giving the private railroad an opportunity to come to the Government and claim, "Here now, take us over and assume our obligations." Are we not proposing to put a larger load by many millions of dollars upon the Canadian people? As soon as you resort to compulsory co-operation, which means confiscation, surely that is one direct road to amalgamation by due process of law.

The CHAIRMAN (Hon. Mr. Beaubien): That is supposed to be a question?

Hon. Mr. MURDOCK: Don't you think that is what would be the result?

Hon. Mr. HAIG: Mr. Chairman—

The CHAIRMAN (Hon. Mr. Beaubien): No, no. Let the witness answer.

Hon. Mr. HAIG: I don't think it is a fair question.

The CHAIRMAN (Hon. Mr. Beaubien): Yes. Mr. Johnston, you are not obliged to answer.

The WITNESS: I don't think I should like to answer that question.

The CHAIRMAN (Right Hon. Mr. Graham): It is a legal question, anyway.

Hon. Mr. HAIG: Mr. Chairman, I don't think it is fair to ask that question. I think we should call back Mr. Hungerford.

Right Hon. Mr. MEIGHEN: Would you not rather ask Mr. Johnston than Mr. Hungerford?

Hon. Mr. HAIG: He is not responsible. Mr. Hungerford is. We are putting Mr. Johnston right on the spot.

The CHAIRMAN (Hon. Mr. Beaubien): He does not answer.

Hon. Mr. DANDURAND: Will you allow the evidence to continue? I think we shall start with a witness who will answer you.

Mr. BIGGAR: Thank you very much. I think that covers the ground.

Hon. Mr. HUGESSEN: No, it does not cover the ground.

The CHAIRMAN (Hon. Mr. Beaubien): Are there any questions?

Hon. Mr. HUGESSEN: I have been trying to ask Mr. Johnson a question, Mr. Chairman, if I may.

The CHAIRMAN (Hon. Mr. Beaubien): Surely.

By Hon. Mr. Hugessen:

Q. Are you aware of the conditions recently developed in England in reference to the pooling of traffic and pooling of receipts by the four big systems at points where they compete?—A. I know of it.

Q. I understand that at a very large number of important points throughout the British Islands two or more of the big systems do that.—A. Yes, sir.

Q. And I am told that within the last two years they have reached agreements for the pooling of the receipts from the traffic in these competitive areas.—A. To the best of my knowledge they have and that is what I—

Q. I was wondering whether some system could not be worked out in this country whereby you might pool the whole of your passenger receipts, without unification or anything of that kind, on an agreed basis. Then there would be no inducement to run on a competitive basis. Your motive for competition would be abandoned.—A. You would not have any form of competition at all.

Q. In your passenger service.—A. No.

The CHAIRMAN (Hon. Mr. Beaubien): Are there any more questions?

. Thank you, Mr. Johnston.

R. W. LONG, General Freight Traffic Manager, C.N.R., was called as a witness and took the stand.

By Mr. Biggar:

Q. Mr. Long, you are the General Freight Traffic Manager of the Canadian National Railways, are you not?—A. Yes, sir.

Q. And you have a submission to make to the committee on the subject of the saving of freight train miles and freight car miles?—A. No, sir. I am dealing with the question of re-routing traffic, the adjustment of inter-line divisions, and traffic expenses.

Q. Will you indicate which particular item in Exhibit No. 49 you are directing your remarks to?—A. I have a brief, sir.

Q. What pages?—A. Page 909.

Q. Yes?—A. Items 1, 2, 3, 4, 5 and 6.

Q. Items 1, 2, 3, 4, 5 and 6?—A. They may not be so designated in the evidence.

Q. And have you got a submission that you desire to make to the committee?—A. Yes, sir.

Q. Will you proceed with that?—A. The consideration we have been able to give to the statement of estimated traffic gains through unification, submitted to the Committee by Mr. Jefferson in Exhibit No. 61, has been somewhat hampered by an absence of relevant data, but to the extent that specific information has been given, either for factual purposes or as the basis for assumptions,

[Mr. R. W. Long.]

I desire to place before the Committee an analysis of the submission and our judgment upon the several items mentioned as well as upon the subject matter as a whole.

A large proportion of the traffic with which this submission deals is for all practical purposes what is known as "overhead traffic." It consists of freight originating at and delivered to points in the United States over routes which pass through Canada. For many years United States and Canadian lines have maintained joint rates over these routes in competition with the direct United States lines. Because of their being longer, some of those routes from New England to United States points through Canada have been accorded lower "differential" rates which are the equalizing factors in the competitive situation. What has served to maintain them has been the interest of New England business to have the benefit of as many competitive carriers and as many open routes as possible. Some of the United States lines have gone along with these differential rates in a rather grudging fashion and not without many protests and threatened movements towards their discontinuance. The Committee will see, at the outset, that there is here a situation which must be handled carefully and which could easily be disrupted were the notion to be spread abroad that the two Canadian railways were lining up together for the purpose of improving their position at the expense of United States lines in respect of United States traffic.

I shall deal item by item with the amounts shown on Exhibit No. 61 and the statement of Mr. Jefferson at pages 708 to 714 of the record. The figures mentioned by him, \$2,135,000, was on the basis of the 1930 business, but Mr. Jefferson stated that he knew of no change in conditions that would affect the estimate for the same year if made at this time.

The Canadian Pacific witness, however, stated at page 713 of the record that there should be a substantial sum added to this amount for readjustment of interline divisions over a period of five years under unification, and on page 714 a further amount for re-routing of Canadian traffic originating on the Canadian Pacific by diverting this traffic from the Michigan Central Railroad to the Grand Trunk Western. At page 984 of the record Mr. Neal, based on Mr. Jefferson's evidence, submitted an amount in money for the change in interline divisions of \$1,500,000, and the re-routing of Canadian Pacific traffic through the Detroit gateway of \$1,136,000, or a total of \$2,636,000. This amount should be added to the \$2,135,000 in Exhibit No. 61, making a total of \$4,771,000 estimated increased revenue to the unified system.

Item No. 1, re-routing of Canadian National-Canadian Pacific traffic to and from the Maine Central Railroad through Portland, Me., instead of North Stratford, N.H., and St. Johnsbury, Vt. Estimated gain in revenue \$135,000.

This amount covers both Canadian National and Canadian Pacific traffic. One-half of the estimated gain has already been attained by the Canadian National and has been reflected in the Canadian National revenues for the past three years, as it suited the convenience of the Maine Central Railroad to transfer this traffic to be hauled over the Canadian National's lower grades through the White Mountains. A similar arrangement with the Canadian Pacific would only increase the gain to a unified system by \$67,500.

Item No. 2, re-routing of Canadian Pacific traffic from and to New England territory served by the Boston & Maine Railroad, Boston & Albany Railroad, and New York, New Haven and Hartford Railroad through the medium of the Central Vermont Railway instead of through Wells River, Vt., as at present. Estimated gain in revenue \$200,000.

The C.P.R. has included both northbound and southbound traffic in its estimate. The routing cannot be changed on northbound traffic as the Interstate Commerce Act reserves to the United States carriers their long haul. Only 59.85 per cent of Canadian National traffic to New England lines is southbound

and I assume the Canadian Pacific's proportion is about the same; therefore, this estimate must be reduced to \$120,000 or 60 per cent, as the assumed gain in gross revenues, and that amount might be offset by loss of other traffic through retaliation of the Boston and Maine Railroad for the loss of its haul.

Another factor which would prevent the cancellation of even the south-bound routing is the fact that part of the line of the Canadian Pacific, namely, from Newport, Vt., to Wells River, Vt., has been leased by that company from the Boston and Maine Railroad, and the Canadian Pacific pays \$246,000 a year for the use of the line, and its lease runs until the year 1956. Even if a unified system did transfer all or part of the traffic from Wells River to White River Junction, it would still have to pay the Boston and Maine Railroad a quarter of a million dollars a year for the next eighteen years under its lease.

Even the Central Vermont Railway to which the C.P.R. proposes to transfer this New England traffic does not receive all traffic to and from New England via its long-haul junctions, particularly the New York, New Haven and Hartford Railway, for which traffic is interchanged at White River Junction using the Boston and Maine Railroad as an intermediate carrier to the New York, New Haven and Hartford Railway. This is based on a well-known traffic practice of giving up some traffic to an intermediate line in order to obtain a benefit in traffic somewhere else.

Item No. 3, re-routing of Canadian Pacific traffic from and to Eastern United States territory served by the Delaware & Hudson Railroad and connections, through the medium of the Canadian National System to Rouses Point, N.Y., instead of in connection with the Napierville Junction Railway. Estimated gain in revenue \$200,000.

The Canadian Pacific has also included the northbound traffic in this item. Canadian National southbound traffic to the Delaware & Hudson Railroad is 63.8 per cent of the total, and assuming that the Canadian Pacific traffic divides in the same manner, the only possible gain might be 63.8 per cent of \$200,000, or \$127,600. This amount, however, would be further reduced as the present Canadian Pacific route consists of three carriers, namely, the Canadian Pacific, Napierville Junction Railway and the Delaware & Hudson Railroad, and the revenue between these three roads is divided in a different manner than that of the Canadian National; the reason being that where there are two carriers in Canada against one in the United States, the United States carrier accepts somewhat less revenue in order to allow participation of the other two carriers on an equitable basis. When there is only one carrier in Canada and one carrier in the United States, the latter receives somewhat more revenue than when there are two carriers in Canada involved.

On the large movement of newsprint paper from Canada to such important points as New York, Philadelphia and Baltimore, the Canadian National receives an average proportion of 40 cents per ton less to Rouses Point when the traffic is delivered to the Delaware and Hudson Railroad than the Canadian Pacific and Napierville Junction Railway together receive to Rouses Point. On a unified system's traffic delivered over the Canadian National rails to the Delaware and Hudson Railroad at Rouses Point that line would not only demand, but would be entitled to, the same revenue as they receive to-day on Canadian National traffic. In my opinion this would eliminate about one-half of the estimated gain in gross revenue on southbound traffic of \$127,600, leaving a little over \$60,000 of the estimate intact.

There is another error in the Canadian Pacific Railway presentation which should be noted with respect to northbound traffic, namely, that there had been no change in conditions that would cause a change in the figures from 1930. Since that year there has been a substantial reduction in the rates on coal from the Delaware and Hudson mines to some points in the Province of Quebec. I do not know how much coal the Canadian Pacific receives from the Delaware

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and Hudson Railroad, but I have no doubt it is a substantial amount and the gain estimated by the Canadian Pacific witness must be further reduced on coal.

Taking these factors into consideration, my opinion is that there would be nothing left of the estimated gain in gross revenue.

Even if the Canadian Pacific Railway estimate could be entirely attained from the viewpoint of the Canadian Pacific, it should be pointed out that the entire gross freight revenue of the Napierville Junction Railway in 1930 was \$297,000 and the loss of \$200,000 would put that railway out of existence as a freight carrier.

Item No. 4, re-routing of Canadian Pacific traffic to and from Eastern United States territory through Niagara frontier, using the Canadian National System instead of the Toronto, Hamilton & Buffalo Railway and the Michigan Central Railroad. Estimated gain in revenue \$900,000.

In this case also the Canadian Pacific has included northbound as well as southbound traffic. The southbound traffic is only 27.3 per cent of the total on the Canadian National and I assume the Canadian Pacific is about the same. The Toronto, Hamilton & Buffalo Railway is jointly controlled by the Canadian Pacific, New York Central Railroad and the Michigan Central Railroad, the latter in turn is also a subsidiary of the New York Central System. I estimate that the New York Central System owns 70 per cent of the stock of the Toronto, Hamilton & Buffalo Railway. In connection with southbound traffic from local points on the Canadian Pacific, in my opinion it would be impossible to change even the southbound routing. Traffic originating at points common to the Canadian National and the Canadian Pacific, such as Toronto, might be diverted over the Canadian National System to Buffalo or Niagara Falls, as the New York Central would not know if it was of Canadian National or Canadian Pacific origin, but so far as local points on the Canadian Pacific are concerned, the New York Central System could simply sit tight and refuse to accept such southbound traffic anywhere else than at Hamilton and even as to traffic from common points my opinion is that the Buffalo route would also be disputed.

The proportion southbound which could be diverted to Buffalo, in my opinion, would not be more than half of the southbound traffic, or about 13.7 per cent of \$900,000, equal to approximately \$123,000.

Item No. 5, re-routing of Canadian Pacific-Great Lakes Transit Corporation traffic via Windsor, Ontario, to Canada Atlantic Transit Co. via Depot Harbor, Ontario. Estimated gain in revenue \$100,000.

This amount could not be attained by a unified system. The Canadian Pacific inaugurated its own steamship service on the Great Lakes from Port McNicoll to Chicago and Milwaukee this year, but in obtaining the permission from the Interstate Commerce Commission to operate this service the Canadian Pacific bound itself to maintain its route in connection with the Great Lakes Transit Corporation via Windsor, Ontario, including both the Lake Michigan and the Lake Superior services. Such portion of this traffic, therefore, that the Canadian Pacific has not already taken from the Great Lakes Transit Corporation cannot be taken from that line.

Item No. 6, re-routing of Canadian National-Northern Navigation Company traffic via Sarnia (Point Edward) Ontario, to Canadian Pacific Railway (Upper Lakes Steamers) via Port McNicoll, Ontario. Estimated gain in revenue \$600,000.

This is simply an estimated transfer of revenue from one Canadian transportation system to the proposed unified system, and it assumes that all traffic now interchanged by the Canadian National with the Northern Navigation Company would be diverted to the Canadian Pacific Steamships via Port McNicoll.

The estimate itself is excessive, as the actual revenue received by the Northern Navigation Company in 1930 on traffic interchanged with the Cana-

dian National Railways was only \$268,479. Furthermore, since 1930 there has been a drastic reduction in the lake and rail rates on flour and grain products from the Head of the Lakes to Eastern Canada, in which traffic the Northern Navigation Company and the Canadian National Railways participate, which would further reduce the estimated amount.

However, even the greatly reduced amount could not be attained, in our opinion. It is a matter of common knowledge that water lines are now invading interior territories through the use of motor truck transportation. If the Northern Navigation Company were deprived of traffic now delivered to them by the Canadian National, there is no question in my mind but that they would successfully increase their utilization of trucking to and from their eastern water terminals, and continue to handle a considerable percentage of the business which they are now enjoying through their arrangement with the Canadian National; and such a scheme would have a tendency to deprive both the Canadian Pacific and the Canadian National or the unified lines of revenues which they now receive through both Port McNicoll and Sarnia. It is impossible to estimate the amount of this revenue, but the class of traffic handled via the lake and rail routes lends itself to trucking. In my opinion, the gains in revenue by diversion of traffic from the Northern Navigation Company are illusory.

Proposed Changes in Interline Divisions Generally

There are some further and much more important factors in this situation with which the Canadian Pacific did not completely deal in the evidence. First, the proposed readjustment of interline divisions which the Canadian Pacific witness stated at page 713, was not included in this original Canadian Pacific estimate, because of the difficulty found in estimating accurately what could be accomplished, although it was stated that unification would afford an opportunity for substantially improving railway operating revenue through the adjustment of interline divisions.

As you understand, interline divisions mean the division of revenue where rates are in effect over two or more carriers.

There are three distinct fields where the question of interline divisions come into play: First, within Canadian territory; second, on traffic moving between Canada and the United States, known as international traffic; third, on traffic moving from one point in the United States to another point in the United States through Canada.

In so far as the first field is concerned, the major volume of interline traffic affected would be that interchanged between the Canadian National and Canadian Pacific Railways. Any adjustment in these interline divisions under unification would create no more additional revenue for the unified lines. It would simply be taking money out of one pocket and putting it into another pocket, without affecting the combined revenues under unification.

Eliminating the interchange between the two major railways, there is no field within Canada under which any improvement could be made in the revenues of the unified system, by reason of the fact that the remainder of the railways are of small mileage and are to-day accepting as low a division as can properly be expected of them.

When it comes to interline divisions applicable on international traffic, I can see no possibility of the unified system improving its position as against that existing at the present time. My experience surrounding the interline divisional situation, as a result of the consolidation of the Grand Trunk and other lines now forming the Canadian National Railways, leads me to agree most emphatically with the Canadian Pacific witness in omitting initially from his estimate any increase in interline divisions applicable on international traffic.

I can say that the experience of the Canadian National Railway Traffic Department, in working out similar problems for the past twenty-two years in [Mr. R. W. Long.]

the consolidation of interline divisions as between component parts of our system, has produced results entirely opposite from those stated by the Canadian Pacific witness in his recent evidence.

I have already in my reference to the re-routing of traffic to the Delaware and Hudson Railway given you an example which shows that road would be entitled to more money on newsprint traffic through a direct interchange between the unified system and the Delaware and Hudson Railway at Rouses Point than they accept on traffic interchanged to them through the medium of the Napierville Junction Railway, and which, I have pointed out, would destroy a large part of the assumed gains on a large volume of gross freight revenue.

My experience has been that wherever there has been a readjustment of divisions on interline traffic, due to amalgamation, unification or consolidation, whichever you prefer to call it, of the four properties of the Canadian National, the lines in the United States have insisted on taking an increased division on the traffic, this for the simple reason that when we consolidate two-line hauls in Canada which were originally allowed separate revenue for each company, the United States lines demand—and properly so—that we take a one-line revenue instead of a two-line revenue.

Permit me to refer as an example to the division of revenue on freight traffic from Quebec City to eastern United States destinations via Rouses Point.

Originally, three Canadian National routes from Quebec City to Rouses Point existed:—

No. 1. The Canadian Northern route to Hawkesbury, Ont., thence Grand Trunk to Rouses Point.

That was the route on which the lines south of Rouses Point accepted the least revenue.

No. 2. The route from Quebec City via car ferry to Levis, thence Intercolonial to St. Lambert and Grand Trunk to Rouses Point.

On these divisions the lines south of Rouses Point earned a little more revenue than via the Hawkesbury route.

No. 3. The route from Quebec City via the car ferry to Levis, thence Grand Trunk to Rouses Point, this being a one-line Canadian haul, and via this route the lines south of Rouses Point received the largest percentage of the rate.

When the Canadian National System was consolidated, including the Canadian Northern and Intercolonial, the traffic was handled from Quebec City via the direct short route over the Grand Trunk to Rouses Point. We were able to retain our maximum divisions for the two-line haul in Canada for only a short period. The division sheets had to be consolidated and reprinted, and immediately the American lines raised the question of the routes we were using in Canada. As soon as the American lines became aware of the fact that the traffic was travelling via the shortest route to the border, they demanded that we take the proportion of revenue which we were entitled to via such short route, and therefore our gross revenue was reduced. For example, on a considerable portion of the traffic from points north of the St. Lawrence river to territory south of Rouses Point, we lost as much as 10 per cent to 20 per cent of our revenue to the gateway as the result of shortening our routes due to consolidation of the component parts of the national system.

I can speak with what I consider authority when I state that we invariably lose considerable gross revenue on these interline divisions on international traffic when two or more railways are unified. We are not in a position to force the situation with respect to divisions with United States lines, because it is our view that such action is likely to have unexpected repercussions, with consequent loss of revenue.

As a case in point, a few years ago we demanded from certain United States lines divisions to which we thought we were entitled on traffic moving from Texas to Montreal. We considered our position fair; the United States lines did not. We suddenly became aware of the fact that, because of this dispute, the Texas railways had under way the cancellation of the entire routing of traffic from Texas to Boston and other New England points via Canadian National lines through Canada. We finally, through compromise, arranged an agreement on the international movement and prevented the disappearance of a greater volume of traffic from Texas to New England in which our Canadian lines participated. This is not an unusual experience and would be the effect, in my opinion, should we arbitrarily endeavour to force unfair divisions on the United States carriers on traffic to and from Canada.

The third field, as I have stated, is in traffic moving between two points in the United States through Canadian territory. The Canadian lines, either individually or under unified management, cannot possibly change the divisional arrangements on this business. For example, a dispute occurred several years ago between the United States carriers with respect to the divisions which should be accorded to the New England lines, who were not satisfied with their proportion of the revenue on traffic destined and originally in their territory. The matter went to the Interstate Commerce Commission, who have jurisdiction over division matters, and by order of that Commission for railways in the United States joining in through rates to and from New England were instructed to increase the divisions of the New England lines to the extent of 15%. While the Interstate Commerce Commission had no authority to compel the Canadian lines on traffic moving to and from New England to grant this increase, we were forced to do so, because, if our divisions had not been on as favourable a basis as the United States lines with which we were competing, the business moving between New England and destinations in the United States west of the Detroit and St. Clair Rivers would have ceased to move through Canada.

The other overhead traffic through Canada is that passing between United States points via the Niagara and Detroit frontiers, and divisions through Canada via this route must be kept on a parity with those applicable via the United States lines.

It is my considered view that there is no possibility, through the adjustment of interline divisions under a unified system, of realizing any increased revenue.

I have some comments on traffic expenses, Exhibit 60, page 907 of the record.

By Hon. Mr. Black:

Q. Before you pass on to that, I want to ask one question. In Exhibit 61, page 909, the total gains, according to the C.P.R., were \$2,139,000.—A. \$2,135,000.

Mr. BIGGAR: Those are not the savings, they are the totals. If you turn back to Exhibit 49 you will find the exact amount.

Hon. Mr. BLACK: These are gains in revenue.

Mr. BIGGAR: Yes, and there are certain reductions. You will find them on page 421. The net saving is \$1,396,000.

By Hon. Mr. Black:

Q. You gave some of those items in which there was no saving at all. What was your total gain on those six?—A. Our gain was \$310,500 possible.

Q. That is all in the six items?—A. Yes, sir.

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By Mr. Biggar:

Q. You were going on the traffic expenses at page 907, which goes back to part of Exhibit 49 at the top of page 424 of the committee's Proceedings, I think, dealing with agencies, advertising, and that sort of thing.—A. Correct. Q. Will you proceed?—A. Yes.

Dealing specifically with the Traffic Expense Accounts, as shown in Exhibit 60, page 907 of the record, and the evidence of Mr. Jefferson, appearing on behalf of the Canadian Pacific Railway, pages 849 to 867 of the record.

It is not my purpose to deal in detail with the figures as presented by the Canadian Pacific witness.

The individual traffic expense accounts of the Canadian Pacific Railway and the Canadian National Railways are not exactly comparable, neither are the total traffic expense figures comparable as between the two roads. For example, expenses incurred by the Canadian National Railways on account of colonization, agriculture and natural resources are charged to traffic accounts whereas the Canadian Pacific assign such expenses to other than traffic accounts.

The rail traffic expenses of the two railways, as shown by the C.P.R. witness, amounted in 1930 to \$15,151,086. This figure having been arrived at by some method of deduction as to the expenses chargeable to the Canadian Pacific Steamships, thereby leaving the rail traffic expense for the Canadian Pacific at \$6,455,699, which represents 63 per cent of their total expenses. As a matter of fact, since 1930 the traffic expenses have been materially reduced—the proportion of the Canadian Pacific expenses chargeable to the rail activities have been reduced to \$4,539,000, the Canadian National expenses to \$4,981,000, a total of \$9,520,000, as compared with the estimated expenses under unification, as submitted by the C.P.R. of \$9,375,569.

The Canadian Pacific witness, on page 865 of the record, in answer to the Honourable Mr. Calder, testified that no matter what was actually expended in 1937 on both railways, that figure, under a system of unification, could be reduced from 35 per cent to 40 per cent. In all due deference, I submit no such savings could be currently effected in view of the 35 per cent reduction already made as between the year 1937 and 1930. Assuming for the moment such an additional saving could be made, that is, a further 40 per cent, it would mean that under unified management, the 1937 traffic expenses (rail activities only) would only have amounted to \$5,712,000, as compared with the actual expenses incurred during the year 1930 of some \$15,061,000, the figure of \$5,712,000 being \$3,664,000 below the C.P.R. estimate of the total combined traffic expenses under unification of \$9,375,569.

The functions of a Traffic Department are much broader than the mere solicitation of traffic, important as that phase of its activities may be.

My view is that the solicitation of traffic requires more activity to-day in the protection of the railways' interests against outside forms of competition than that which is involved in the soliciting of business as between the Canadian Pacific and Canadian National Railways. Constant vigilance and solicitation is necessary if the railway field is to hold its own against highway and water competition.

Traffic duties also lie in the direction of co-operation with the public in solving marketing problems, setting-up of new channels of trade, developing movements of traffic, going to the public for discussion of their traffic and development problems; in short, being the medium between the public and the railways in the solving of problems mutual to both interests.

It is, therefore, my view that all angles must be carefully studied by the two companies before any reliable estimate can be made as to the economies in traffic expenses which might be realized under unification and we would have to know what factors were employed in reaching the conclusions stated

by the Canadian Pacific rather than on the basis of only theories as to the intimate problems of the other railway, and it is, therefore, my view that many assumptions must have been employed in the preparation of the figures as presented by the Canadian Pacific.

In Exhibit 60, page 907 of the record, the Canadian Pacific proposal would involve the setting-up of four traffic regions. Without full knowledge as to the boundaries of the regions, the Canadian Pacific conclusions cannot be definitely analyzed. For example, if it is intended that the traffic questions of the Maritime Provinces are to be handled by a regional organization located outside of the Maritimes, that, in my opinion, is impracticable. The special conditions in that section call for a local organization.

I cannot conceive of the situation in the United States, as represented by the Grand Trunk Western in Michigan, Indiana, Illinois and Wisconsin, and as represented by the Central Vermont in the important New England territory being subject to direction from a regional headquarters located in Canada. Both of these situations are such as, in my opinion, would vitally affect our United States traffic if we undertake to eliminate such sections of the line from their present regional status.

With regard to advertising expenses, the Canadian Pacific estimate shows that unification would result in a reduction in these expenses from \$3,412,546 to \$1,870,861, a saving of \$1,541,685. Actually since 1930 the Canadian National has reduced its advertising expenses by \$1,295,000. The reduction in Canadian Pacific advertising expenses chargeable to rail operations is not known, and while their total rail and steamships figure is given for 1937, the portion allocated to the railway is not disclosed.

Q. Mr. Long, I notice our reporters had copies of these memoranda in advance. Might I ask in any future case that a copy might be supplied to me in advance?—A. I think that request should be addressed to Mr. Rand, Mr. Biggar.

Q. Let me turn first to Exhibit No. 60 and the schedule on page 424. We have been given to understand that both railways maintain a great many traffic offices in Europe.—A. That is correct.

Q. And both of them maintain separate traffic offices at many Canadian points.—A. Correct.

Q. There is not any doubt, is there, that considerable savings could be made if in the first place those offices were consolidated?—A. I would think that some savings could be made, but a pronouncement as to the amount of the savings could not be made without a complete study of the situation of both railways.

Q. And that you have not been able to undertake?—A. No.

Q. Does a good deal of the work of those offices that now exist consist in trying to get business from the other railway?—A. To a certain extent, yes.

Q. To a considerable extent?—A. Yes.

Q. And all those activities could in the case of consolidation be entirely eliminated?—A. No, sir, not all of those activities.

Q. I say all of those activities that are directed to taking business away from the other railway?—A. Any part of the activities chargeable to taking business away from the Canadian Pacific versus the Canadian National, except in so far as our United States lines are concerned, might be taken away. The situation in the United States on the Grand Trunk Western is not comparable with that of the Canadian Pacific. The Grand Trunk Western participates in traffic connections that the Canadian Pacific has no interest in, traffic for example moving through the Toledo gateway to Pittsburgh and in Wisconsin. That is a very large volume of traffic with very high revenue which is not common to the Canadian Pacific and the Canadian National.

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Q. I cannot follow what that has to do with the activity of these offices so far as they are concerned with taking away business from each other, the Canadian Pacific from the Canadian National, or vice versa.—A. It has no influence except that the Canadian National traffic expenses covering that situation are included in our traffic expenses.

Q. I was confining my attention, and trying to confine yours, to that part of the activities of the present offices that were directed to taking away business from each other.—A. Those could be reduced.

Q. Those could be eliminated?—A. As pertaining to that particular phase of the situation.

Q. You will observe the Canadian Pacific suggested that of a total expense for the railways of approximately \$3,500,000 for advertising, \$1,500,000 could be eliminated. Would you agree with that?—A. We have already, as I have stated, eliminated \$1,250,000, I think it is.

Q. We are talking on the basis of traffic in 1930.—A. We estimate that on the level of 1930 business our advertising expense would not be increased by more than 30 per cent over our 1937 figures.

Q. Your present expense?—A. Yes, sir.

Q. And you don't know about the Canadian Pacific?—A. No, I have no knowledge as to the Canadian Pacific.

Q. But if you were not advertising against the Canadian Pacific and the Canadian Pacific were not advertising against the Canadian National, there could be a considerable cut in advertising appropriations?—A. I am not prepared to say.

Q. You are not able to say?—A. I am not able to say.

Q. Whether there would be any?—A. I cannot answer that. I don't know.

By the Chairman (Right Hon. Mr. Graham):

Q. You would still have to advertise against the competition of the United States roads?—A. Yes, sir. As a matter of fact, I understand that much of our advertising to-day is joint advertising with the Canadian Pacific.

By Mr. Biggar:

Q. Now, turning to the other matter that you dealt with, I think the only question I need ask you with regard to that is whether you are familiar with Mr. Fairweather's estimate of savings, Exhibit No. 42?—A. I am not.

Q. Would you look at page 486 and see whether I have correctly understood the effect of your evidence? I was going to ask you to direct your attention to the second group of savings on that page, and the first and second items under that second heading, and the figures in the "normal" column, the second column. Am I right in understanding that what you have said with regard to foreign interline traffic in respect of the C.P.R.'s estimate would equally apply, to cause substantially to disappear, the item of \$4,000,000 in that connection in this estimate on page 486?—A. Not knowing how Mr. Fairweather prepared his figures, I cannot say; but on the points made by the Canadian Pacific I would say that would disappear.

Q. You see the point here. It says "re-routing of foreign interline traffic to lengthen system haul." Do you think there is any opportunity by consolidation of making savings by re-routing foreign interline traffic and so lengthening the system haul?—A. It is my view that there is not. No.

Q. Is that true also of the second item, readjustment of interline divisions, normal saving \$3,000,000?—A. Yes, sir.

Q. And what about the re-routing of main line traffic, \$1,800,000, under heading 4, the fifth item?—A. I would not be competent to deal with that as it is not a traffic matter.

Q. Now, you will observe that on the next page, 487, there is under the traffic column a suggested saving of \$6,950,000, of which traffic solicitation and

advertising represent almost the whole, or \$6,800,000. Can you help the committee at all as to what you think the total saving might be in respect of that figure?—A. As I have said, I could not offer any evidence in that regard unless I was given an opportunity of jointly analysing the entire situation with the Canadian Pacific.

Q. You would not express any opinion with regard to that figure?—A. No, sir.

Q. Right. Mr. Flintoft calls my attention to the fact that the question of co-operative saving has already been dealt with at the bottom of page 863, and that the total amount is \$13,000 a year. So that is not a very important element in a million and a half.—A. No, that would not be very important.

The CHAIRMAN (Hon. Mr. Beaubien): Are there any more questions of this witness? . . . Thank you, sir.

Mr. BIGGAR: The next witness is Mr. Vaughan.

R. C. VAUGHAN, Vice-President, Purchases and Stores Department, C.N.R., was called as a witness and took the stand.

By Mr. Biggar:

Q. Mr. Vaughan, you are the Vice-President in charge of purchasing for the Canadian National Railways, are you not?—A. Yes, in charge of purchases and stores, and lake steamships, ocean steamships, coal mines, etc.

Q. And there are certain items of the Canadian Pacific estimate to which you desire to direct the attention of the committee?—A. Yes, sir. I have two or three submissions in response to the exhibits. The first is "Interest on released stores and track material," Exhibit 68, pages 942 and 943.

This exhibit is intended to show that as a result of unification track material to the value of \$18,000,000 would be released by the abandonment of 5,501 miles of railway lines and that material stores stocks of the two railways could be reduced by \$16,000,000, in other words, material to the value of \$34,000,000 would be released and assuming interest to be at the rate of 5 per cent per annum, it is estimated that there would be a saving of \$1,700,000 per year.

As regards material released from abandoned lines, the impracticability of the Canadian Pacific plan to abandon 5,051 miles has already been dealt with by Canadian National witnesses. Obviously if 5,051 miles of line are not abandoned, this saving cannot be realized.

With respect to reduction in material stores, the Canadian Pacific Railways' statement shows the stock of materials and supplies of the combined railways on hand at the end of 1930 as \$67,533,967, and the estimated figure for the two railways under unification is given as \$51,581,838. The position actually is that, at the end of 1937, the stock of materials and supplies on hand by the two railways was as follows:—

	1930	1937	Reduction
Canadian Pacific	\$25,445,272	\$17,786,856	\$ 7,658,416
Canadian National	42,088,695	29,494,390	12,594,305
Total	\$67,533,967	\$47,281,246	\$20,252,721

It will be seen, therefore, that the combined stock of the two railways at the end of 1937 was less by over \$4,000,000 than the figure given by the Canadian Pacific as being necessary for the two lines under the proposed unification.

I see no reason why improved traffic conditions should add materially to our present stocks.

Q. That disposes of the particular subject?—A. That particular subject.

Q. Then, can you tell me why if traffic conditions in 1937 required only some \$47,000,000, traffic conditions in 1930 required \$67,000,000?—A. It took us a number of years after the consolidation of the four different railways, all of

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which had large stocks, to work them down. They have been worked down some each year. The total value in 1923, at the time of the amalgamation, was \$53,000,000. There has been a gradual decline by reason of improved methods, the various companies standardizing so that it is possible now to get along with much less stock than it was at that time.

Q. But the Canadian Pacific Railway has been in existence since about 1880 odd, and I observe that the reduction in its stocks between 1930 and 1937 is, on a percentage basis, very little if at all different from the percentage reduction of the Canadian National Railways.—A. Yes, sir.

Q. The reason you give for the reduction of the Canadian National Railway stocks has no application to the Canadian Pacific?—A. Well, I have given no application to it, except that I have shown the reduction of both companies in that period.

Q. But you explain a reduction of somewhere about 29 per cent on the Canadian National by saying that as a result of consolidation seven years before you had too much in 1930 and have been getting it down to 1937.—A. Yes.

Q. Is that the only explanation?—A. The explanation is greater efficiency. Line stocks, road stocks and terminal stocks of the subsidiary companies have been consolidated—the Canadian National steamships, coal mining stocks—

Q. Does the first reason enter into it at all, because another set of reasons appears to have applied to the Canadian Pacific equally?—A. Quite right. I am simply pointing out what has been accomplished.

Q. I was directing myself to the explanation.—A. It takes a long time to reduce the stocks. It cannot be done overnight. You have to keep stocks of patterns—

Q. It looks as though you were quite as efficient in 1930 as the C.P.R., and the improved efficiency between then and 1937 has brought about a reduction of both your stocks and the C.P.R. stocks in practically the same proportion.—A. That is quite right.

By Hon. Mr. Murdock:

Q. Isn't the answer that necessity is the mother of invention?—A. It had to be done. Both railways were asked by the Finance Department, I presume, to help them improve the working capital position.

By Mr. Biggar:

Q. And you think an increase in traffic would not increase stocks?—A. No. The principal thing that would add extensively to our stocks would be if we went into the wholesale manufacture of materials in our shops.

By Hon. Mr. Horsey:

Q. Is there much chance in the future for a reduction from year to year?—A. I do not know how far it can go.

Q. But you do not think you have reached the bottom?—A. No, I don't.

The second submission is as to Exhibit 69, page 943.

This exhibit shows the method adopted by the C.P.R. in arriving at the figure of \$4,650,000, intended to represent the annual saving through unification by the release of equipment. The exhibit assumes that 5,051 miles of line will be abandoned and that the reduction in train and car mileage, set out in Exhibit "B"—Page 417, Exhibit "C"—Page 418 and Exhibit "H" Pages 422-426, will be accomplished.

In their evidence, several C.N.R. witnesses have dealt with the impracticability of abandoning 5,051 miles of railway lines in Canada. Mr. Walton in his evidence has dealt with the C.P.R. estimates of large savings in train and car mileage. If the 5,051 miles is not abandoned and the reduction in train and car miles is not accomplished, naturally the economy of \$4,650,000 is unrealizable.

Since 1930, a substantial reduction in number of units of equipment owned has taken place. The equipment in service in 1937, as compared with 1930, was as follows:—

	1930 (As per Exhibit 69 Page 943)	1937 (As per Annual Report)	Actual Reduction	Reduction as per Exhibit 69
Locomotives C.N.R.	3,095	2,664	431	
C.P.R.	2,126	1,962	164	
Total	5,221	4,626	595	637
Passenger train cars C.N.R.	3,792	3,059	733	
C.P.R.	3,170	3,025	145	
Total	6,962	6,084	878	1,037
Freight train cars C.N.R.	128,191	95,822	32,369	
C.P.R.	91,407	81,175	10,232	
Total	219,598	176,997	42,601	7,247
Work equipment C.N.R.	8,272	6,068	2,204	
C.P.R.	6,321	5,786	535	
Total	14,593	11,854	2,739	1,786

It is obvious that the field for economy in this respect has been very materially reduced and it is my opinion that any remaining economy would not attain anything like the amount indicated. In any case, it has already been demonstrated that such sane and realizable economies as are possible in connection with line abandonments and reduced services can be accomplished equally well under enforced co-operation as under unification.

By Right Hon. Mr. Meighen:

Q. Mr. Vaughan, there is a very striking contrast between the reductions of the Canadian Pacific and the Canadian National. Proportionate to size—you are larger in mileage and most things than they are—your reductions since 1930 have been much larger than theirs?—A. Yes sir.

Q. What kind of bust were you on in 1930?—A. It was found that there was a lot of equipment that could not be used and it was retired.

Q. How did you come to get into that condition?—A. Well, Senator Meighen, it was an inheritance.

Q. No, it was not an inheritance in 1930. You were a long way past an inheritance then and had added a lot of those things.—A. There was no other reason except that a lot of the equipment was not suitable for use and had to be retired.

Q. You had bought a lot of equipment all along the line?—A. We bought some equipment, yes.

Q. And your personnel and everything else was at an exalted level in that year?—A. I do not think there would be any object in our denying the fact that our management to-day is much more economical than it was then.

By Hon. Mr. Dandurand:

Q. Many economies were made in 1932—A. Yes, sir.

By Right Hon. Mr. Meighen:

Q. I think that is true. But even then, we are getting most discouraging results. What have you to suggest? You are a man of some business experience.—A. There is no one realizes more than the officers of the Canadian National Railways the seriousness of this situation and the necessity of saving every dollar possible. We realize that this loss is a very important factor and we are doing everything humanly possible to alleviate it. There is one factor, I think, which the people of Canada have got to take into consideration—it

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is not very much comfort to them—and that is that our situation in Canada, bad as it is, is not as bad as it is in the United States, where they have got much higher freight rates than we have and better operating conditions.

Q. Their comparative situation is much worse than ours, I realize that.—A. There are only two or three ways in which the situation can be improved. The important one is to increase revenue and to hammer away at the expenses till we get them down to the lowest possible level.

Q. I know something of your experience. Now, you never knew two businesses in your life occupying the same field, in the same class of operation, serving the same public, that could not, without diminution of service, make immense savings by consolidation?—A. I think it is only reasonable to say that savings could be made by consolidation.

Q. And immense savings. You do not know any two businesses that ever existed in that position where savings could not be made by consolidation?—A. I think the railway situation is a little different, Senator Meighen. You have a situation there that has to be taken into consideration, that is as to where unification is going to lead you. I do not think any of us here know what unification means.

Q. Aside from the public aspects, from the business standpoint what I say is true? Without diminution of service, any two businesses occupying the same field, operating the same kind of service and serving the same people, can make immense savings by amalgamation?

Hon. Mr. ROBINSON: Not always.

Right Hon. Mr. MEIGHEN: I have never seen a case where they could not.

Hon. Mr. DANDURAND: But you say, "occupying the same field." That is true in part, but what proportion?

Right Hon. Mr. MEIGHEN: The proportion is immense.

The WITNESS: Of course, you have exactly the same situation in connection with railways as in connection with banks and gasoline stations and many other things. You could close half of them up.

By Right Hon. Mr. Meighen:

Q. It may be that there is a price you would have to pay. In banking, of course, you can easily see where it would be. But aside from that, is it not utterly futile to reason to any person of intelligence that there would not be immense savings, with the same service given?—A. I certainly would not deny that the two companies coming together could make some economies. But I think that the expected economies would be very much exaggerated.

Q. Perhaps so. Then, is it not still more true in the case of two companies whose goods consist of services, not of manufactured commodities, whose goods consist of services involving competing and parallel operations over a vast range of a continent? Would it not be more true in that case than in any other?—A. I would say to your question, "Yes," but I would qualify that by saying that I think you have got two vastly different situations. You have a publicly owned road and a privately owned road, and I can say that they will never mix, never.

Q. They will never mix while one is private and the other is public?—A. Yes, you cannot fuse them together. Their outlooks are so entirely different.

Q. That is while one continues privately owned and the other publicly owned. You say they cannot be fused without changing that phase?—A. I don't think they can be fused without absolute consolidation, financial and every other way.

Q. That is worth arguing. But I think it is utterly futile for any person to come here and say that immense savings could not be made by amalgamation.—A. I do not think that our people had that intention. They were asked to analyze these statements, and they have analyzed them and I think they have

analyzed them pretty well. I am not criticizing the Canadian Pacific either. They were asked to do a job and they did it to the best of their ability, with the information at their disposal; and if we were asked to do it we would do the same thing.

Q. But you had pretty much their view once and you have changed it all since?—A. No, I would not say that. I am not talking about public ownership or private ownership. I am saying that I cannot see how in any possible way you can fuse public ownership and private ownership without the Dominion of Canada assuming the obligations of the private company. I do not think it can be done; it is impossible.

Q. That is something worth discussing. But I do not think the other is open to intelligent discussion.—A. Well, you have always to have that background behind it, I think.

By Mr. Biggar:

Q. Can you add something on the point of the reduction of these cars? I see the figure for the Canadian National in connection with locomotives is 16 per cent and, for the Canadian Pacific, 8 per cent. The figure in connection with passenger train cars seems to be 10 per cent and .4 per cent, and so on, running down the line.—A. I would say that at that time the Canadian Pacific had more up-to-date equipment than the Canadian National had. We had a lot of wooden cars which had to be demolished, and very old locomotives which could not be operated economically, and they were scrapped for that reason.

Q. There had been comparatively little difference, I think, in the maintenance figures. In 1930 repairs to freight train cars cost the Canadian Pacific 1.2 cents per train mile and the Canadian National 1.3 cents; and in 1937 the corresponding figures were .9 and 1.2. In other words, your freight train car repairs were costing you very much more in proportion to the Canadian Pacific in 1937 than they were in 1930.—A. That was accounted for to some extent by the fact that we were equipping cars with modern air brakes and with cast steel side frames, to comply with the orders of the American Railway Association. We have a great many more cars equipped that way than the Canadian Pacific, as you have already been told.

Q. Does something of the same nature apply to passenger train car repairs? Your maintenance costs for passenger train cars do not correspond to that. The figures for the two railways in 1930 were 3.2 and 3.5, and in 1937 they were 4.6 and 4.4.—A. It would mean that we were not repairing as many passenger cars or being required to put as many repairs on them.

Q. You have another memorandum which I think you wanted to deal with?—A. Yes. It is with regard to Exhibit H. It is as follows:

EXHIBIT 'H' — PAGE 9 (e and h)

Alleged savings in fuel purchases are as follows, (2½ per cent said to be due to price)

Passenger.....	\$ 634,493
Freight.....	1,447,055
Yards.....	409,356
Total	<hr/> \$2,490,904

The savings in the price of fuel referred to are a very remote possibility. The average price paid by the Canadian National for locomotive fuel is certainly no higher than that paid by the Canadian Pacific. The coal mining companies in Canada and the United States, generally speaking, are to-day making little, if any, money; and many are losing money.

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We presume the inference is that, by forcing some mines to close down and giving larger tonnages to fewer mines, a lower price might be obtained. That is doubtful of accomplishment. With a good crop in Western Canada the Canadian National would need coal from all of its present suppliers. The so-called Crow's Nest Pass mines serve the Canadian Pacific, while all the mines serving the Canadian National are in the North. To force the price lower, if that were possible, would compel some mines to close down, putting many men out of work and throwing entire communities on the Government for unemployment relief, and the coal from their mines would then not be available when required, possibly resulting in increased prices.

The Canadian Pacific use comparatively little Nova Scotia coal so the situation would not be affected there by so-called unification.

The price of coal used on Canadian National United States lines is governed by market conditions, and is purchased by the Canadian National on a highly competitive basis at the lowest price obtainable.

Q. Does that cover the ground?—A. Yes.

Q. I gather that you have no suggestion to make to the Committee on the subject of the way economies or savings can be effected and the burden reduced?

Right Hon. Mr. MEIGHEN: May I ask a question before that?

Q. Mr. Vaughan, you took the position that with the ownership basis we have, the Government owning one road and the other being privately owned, you did not have a condition that would make unification effective except on the basis of complete consolidation?—A. Yes.

Q. That it would be an anomaly. What have you to say as to that very same basis and its effect on competition, on continuing on a competitive basis? Is not its anomalous effect on continuing on the competitive basis proving to be open to the same objections as you affirm would exist in the case of unification?—A. You mean, Senator Meighen, so far as continued losses are concerned?

Q. Here you are complacently enduring the losses, or rather loading them on the taxpayer.—A. Not complacently, sir.

Q. You would need to be very complacent or you would go to an asylum, the way they are going. That is the position you are in, whereas your competitor is in no such position. Is not the anomaly just the same in the present position as in the other?—A. I don't know, Senator Meighen. I would say this, that after all there is no actual proposal for unification that has ever come before the officers here. We don't know what it contains, what assets or liabilities, contingent or indirect liabilities, are to be included in that consolidation.

By Right Hon. Mr. Meighen:

Q. You have to assume that would be worked out on some basis absolutely fair to the country. You could not expect the terms to be stated before somebody who had no authority to deal with them.—A. But a man usually does not ask you to take him into partnership and not disclose what he has in mind, and then after you get together expect you to make some agreement with him.

Q. Do you say you cannot conceive of terms which would be fair to the Dominion?—A. I suppose we want to be frank about this thing?

Q. Yes.—A. I have the highest regard for the C.P.R. and all its officers, and I hope I shall not be taken as criticizing them. My view is this, whether it be the C.P.R. or somebody else, if we go into a scheme of unification of the railways, by the nature of things we might have to continue to do some of the things we are doing now, by helping some parts of the country, by giving a special rate here or a special rate there and a special service here or there, and it is quite conceivable the way railroad conditions are going to-day that in the course of a short time there would not be enough to divide to

pay the Canadian Pacific debenture holders. Then what are they going to say? They are going to the Government, and they will say, "You have these railways scrambled, and you cannot unscramble them, and there is a moral obligation on the Dominion Government to pay the debenture holders."

Q. Are we not doing exactly the same thing to-day?—A. Except the C.P.R. are able to carry on.

Q. So far they say, "We will be able to carry on vastly better, and so will you too, if we make such savings as we can make between us." Can you conceive of no terms of such unification which would be fair to the Dominion of Canada? Do you say it is impossible to make such terms?—A. I do not say it is impossible, but the Dominion of Canada would have to watch the agreement very carefully.

Q. I admit that. You surely would have confidence in the Administration to think they had men who could do it?—A. I have every confidence in it.

The CHAIRMAN (Right Hon. Mr. Graham): It might change.

By Hon. Mr. Horsey:

Q. You state under unification you think it would be necessary to have fusion of the railways?—A. Yes. I don't see how you could get along without some difficulties arising.

Q. Do you think that would be necessary under compelled co-operation?—A. I do not.

Right Hon. Mr. MEIGHEN: Then you would not get very far.

By Hon. Mr. Murdock:

Q. Do you think compelled co-operation would lead automatically to amalgamation, because it would be claimed as confiscation?—A. I don't think that, Senator Murdock. I think it is a fair question to raise, but I don't think so. We have now many different places on the system where we are using each others' stations, joint terminals, etc., etc., I don't see why a great deal of money cannot be saved. I don't like enforced co-operation. You cannot have enforced co-operation. I would call it enforced economies. But apparently the C.P.R. don't believe in co-operation. They believe in unification. You can see how difficult it is for the two parties to get together.

Q. But if by compulsion you wanted the C.P.R. to do something with the Canadian National which the C.P.R. did not believe was properly acceptable to them, might not they then regard it at a later date as confiscation of some of their rights and property?—A. They might regard it in that way.

Q. Under the law could they not hold that?—A. I don't know. The Canadian National-Canadian Pacific Act provides for certain compulsion. I am not lawyer enough to know what the result would be if that Act were enforced.

Q. I am not a lawyer either.

By Hon. Mr. Dandurand:

Q. The Canadian National-Canadian Pacific Act imposed compulsory arbitration on the two railways?—A. Yes.

Q. It has not been put into effect?—A. That is right.

Q. But the question is, should it not have been put into effect in certain cases?—A. I think so.

Q. I know we came to this point. On the parallel lines from Woodstock to Windsor the Canadian Pacific admitted there was a possibility of large savings, that it was a feasible thing for their trains to run on the Canadian National double track there; but they broke away on a question of compensation, of obtaining elsewhere some compensatory advantage. Should not an arbitral board have sat upon such a question and decided what would

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be the best thing for the two railways and for the country?—A. I think so, undoubtedly. If the railways have not enough common sense to co-operate themselves, they should be made to co-operate.

By Right Hon. Mr. Meighen:

Q. You have not been able to do so. You all say you are in favour of it. Why has it not been done?—A. I think only two men can tell you why it has not been done—Sir Edward Beatty and Mr. Hungerford.

Q. Sir Edward Beatty gave us some reasons. Mr. Hungerford did not give any.

By Hon. Mr. Robinson:

Q. There has been a good deal of talk at times about the purchasing of supplies, and I should like to ventilate it. I have heard it said right here that the Canadian National Railway System is paying too much for goods. Do you think that is so? Do you pay any more than the C.P.R. pay for their supplies?—A. Decidedly not. We do not pay a copper more than the C.P.R. for anything.

Right Hon. Mr. MEIGHEN: I think if Mr. Vaughan has a free hand he will not pay too much.

By Hon. Mr. Robinson:

Q. Are you bothered with political interference?—A. Not in our department. We pay no attention to politics. We do business with thousands of people, but never yet have I asked a man his politics.

Right Hon. Mr. MEIGHEN: Maybe you knew.

By Hon. Mr. Gordon:

Q. Mr. Vaughan, don't you believe that the C.P.R. to-day is a solvent institution?—A. Of course they are.

Q. On the other hand, don't you believe to-day that your company, the C.N.R., judged on the same basis as the C.P.R. is an insolvent company, if you remove the Government from the back of it?—A. Of course, it has no money, but you have to treat the Canadian National as a public service, the same as you do your harbours, navigation aids, or anything else. The only other course is to shut off the services carried on for the public benefit in the north country, Gaspé line and many other services. If that service is not a public service the same as harbours or anything else, I don't know what is.

Q. You think it is better, then, to go on as we are now losing millions of dollars every year? How long do you think the country can stand it?—A. I would say this, Senator, that every avenue should be explored for economies to reduce these railway deficits if that can be done. I would also point out, though it is no comfort to the people in Canada, and I should like to say no one deplores the losses more than Canadian National officials, that the railway situation in the United States is many times worse than it is here.

Q. Oh, no.

Hon. Mr. MURDOCK: Oh, yes.

By Hon. Mr. Gordon:

Q. Remove the Government from behind you, then our railways don't compare?—A. You could not remove the Government. The Government has guaranteed millions of dollars of fixed charges. To the extent of anything we can earn towards these fixed charges we are so much to the good.

Hon. Mr. HORSEY: We would have to pay them anyway.

By Mr. Biggar:

Q. You were saying no one deplores the losses more than the officers of the Canadian National. How long would it take, do you think, the Canadian

National offices to prepare for this committee a suggestion of how those losses could be avoided?—A. I don't think any man can prepare such a statement at all. I don't think it is possible. We can say if we get more people in the country, if supplies come down, if we get more traffic—everything is traffic—the situation will materially improve. It is the business available that counts.

By the Chairman (Hon. Mr. Beaubien):

Q. That is the only hope?—A. That, plus all the economies that could be brought into effect, and I think enforced economy is fair to both companies and should be tried.

By Mr. Biggar:

Q. That is exactly the answer made to the Duff Commission six years ago. Instead of traffic increasing from 1932 on, and so avoiding the difficulty, we have had the situation almost grow worse instead of getting substantially better.—A. That Act was never given effect to, Colonel Biggar.

Q. I mean your answer of increase of traffic is exactly the same answer as was made six years ago.—A. But traffic has gone down constantly ever since. There has never been in history the equal of such a rapid traffic decline.

Q. Why have we greater reason to hope your anticipations of increased traffic will be realized after 1938 than we had of the corresponding anticipations after 1932?—A. Every one of us has reason to expect that we are not going to remain as we are and have to pay out these large sums for unemployment relief and everything else. It would be a pretty poor outlook for the country if we did not have a more optimistic view.

Hon. Mr. MURDOCK: We have to remember, Mr. Biggar, that we have had severe years of drought in the West.

Mr. BIGGAR: Yes.

By Mr. Biggar:

Q. Let me direct your attention to page 486. There you will find under the heading "Reduction in Store's Costs" an estimated saving, based on 1931 as a normal year, of \$1,500,000. You do not think any of that saving could be made by consolidation?—A. No, I do not think that at all. I am not foolish enough to say that savings could not be made by consolidation of shops and everything of that kind.

Q. This is a reduction in stores' costs.—A. That is the reason I made the statement. You have to have a big store-house if you have a big shop. You could not reduce your stocks materially so long as those shops and lines are operating. You have to have a protective stock of rails, ties and everything else wherever you have a line of railway or a shop.

Q. Can you tell us how much by reduction of storage stocks could be saved?—A. No, unless I knew what shops were to be closed and what lines abandoned.

Q. The next item is "Purchasing Policy," \$700,000. That is explained in the third paragraph on page 482.

The possession of a virtual monopoly in railway transportation would practically eliminate the pressure placed upon the railways to give consideration to traffic features in placing orders. This is a very difficult feature to estimate and it is not felt that either the Canadian National or Canadian Pacific Railways have purchased disadvantageously by reason of traffic affiliation to any considerable extent. An absolutely untrammelled purchasing policy would, however, probably result in some economies, especially when consideration is given to the fact that consolidated purchases could be budgeted in favourable quantities to a

[Mr. R. C. Vaughan.]

greater degree than is now possible individually. The material purchases of the two railways in 1930 approximated \$140,000,000 and it is anticipated that an economy of one-half of one per cent would be possible, resulting in \$700,000 per year.—

A. May I ask whose statement that was?

Q. Mr. Fairweather's.—A. I know nothing about that statement.

Q. No, I am not asking you about the statement. I am asking you about its correctness.—A. There are some savings could be made by consolidating purchases. We could not save anything like the amount represented on the larger items. We would not likely buy rails and ties for less money.

Q. Is that figure approximately correct?—A. I would say it is too high.

Q. You cannot say by how much?—A. There would be some saving, but not very great.

By Right Hon. Mr. Meighen:

Q. Mr. Vaughan, do you suggest, if you are permitted to continue as you have been doing making all the economies possible, you can think of nothing else? I observe that in the four months period of this year there was a reduction of \$6,900,000 in traffic and at the same time your expenses went up \$2,100,000, or a total to the bad of \$9,000,000 in the four months. Is hope to continue externally under those conditions? As against that the reduction in traffic on the competing road of \$2,600,000 was accompanied by an increase in expenses of only \$700,000. That is to say, your loss of traffic was about three times, not quite, the loss of traffic on the other road; whereas your increase in expenses was three times theirs.—A. The increased loss of traffic due to loss of traffic on our lines in Canada was approximately the same as that of the C.P.R. The big loss was on the United States lines.

Q. I am assuming that you are not to blame for that; but look at the expense figures.—A. I think there is only one man from whom you can get an answer on that, and that is our President.

Q. I do not think the man lives who can answer me.—A. Of course there have been a good many reasons why expenses have gone up.

Q. It looks as though Canada was getting richer.—A. There are a good many reasons why expenses have gone up, such as the restoration of wage reductions—increased cost of material, etc.

Q. That would apply to the other road.—A. Absolutely.

Q. Look at the difference. The contrast is terrific.—A. Of course their present position is very different as compared with a year ago.

Q. Oh, yes.

MR. BIGGAR: I have no further questions.

THE WITNESS: There are just one or two small submissions here that I should like to present. Senator Gordon raised a question. He rather intimated that the Canadian National might be run as a philanthropic institution. I should like to give a few figures to correct that impression.

As was pointed out in one of the exhibits furnished by the Comptroller yesterday, between 1930 and 1937 the Canadian National reduced its operating expenses by \$47,499,000. In the same period there was a decrease in revenue of \$51,972,000. This shows a very remarkable achievement in cutting expenses to meet the decline in gross revenues. If allowance is made for the greater provision for equipment retirements and for additional pensions it will be found that the Canadian National in this period reduced its operating expense dollar for dollar with the decline in operating revenues.

It will also be seen from the same exhibit that the Canadian National reduced its passenger train miles by 7,640,000. The Canadian Pacific submission to the Duff Commission provided for a reduction of 7,574,000 passenger train miles. Again, the Canadian National in the period reduced passenger car miles

by 54,763,000, which compares with a saving of 51,793,000 in the Canadian Pacific submission. Again, the Canadian National reduced its freight car mileage in the period by 88 million car miles, as compared with 67 million in the submission.

The figures given to the Duff Commission were for the combined railways. It will be seen that the Canadian National alone reduced train and car mileages to a greater extent than was suggested would be possible under unified operation. Of course, I know the reductions do not proceed from the same causes, but these figures, in my opinion, are indicative of the efforts made by the Canadian National organization to meet the difficult situation brought about by the decline in gross revenues over which the railway had no control.

I do not cite that in relation to unification, but I do say we followed in our expenses dollar for dollar the reduction in our revenue.

By Hon. Mr. Gordon:

Q. I know a good many of the Canadian National superintendents, and I know they are first-class men and know their business. At the same time I got the impression from what you said that you were afraid to hitch up with the C.P.R. because you thought, perhaps, they were not solvent.—A. Oh, no.

Q. I look upon the C.P.R. as being a very solvent institution, and upon yours as being insolvent.—A. Of course the C.P.R. has a great deal of outside revenue that we have not got. They did not earn their debenture interest from their railway revenue last year. They have got interests outside to draw revenue from.

Q. One of the worst items you have is coastal vessels.—A. The C.P.R. undoubtedly has done remarkably well. It has been well managed, and if you take their position as compared with the railways in the United States, they have done remarkably well; but they are suffering from conditions the same as everybody else.

Q. I thought you had a chance to do something by unification, co-operation, or some darn thing.—A. Personally I am heartily in favour of anything that would be in the interests of the Dominion of Canada. But there are two ways of looking at the matter. You cannot take the money from one pocket and put it into another. For example, if you close the shops and put probably 3,000 men on relief, who do they go to?

The CHAIRMAN (Right Hon. Mr. Graham): It is 6 o'clock.

The WITNESS: There is one statement I should like to present which I think you gentlemen should have before you in realizing the position of the Canadian National Railways to-day. It is this: "Another matter which I think should not be overlooked is the fact that the Canadian National was called upon to assume the full burden of debt attaching to the predecessor companies, of which the system is now comprised. The railway has thus been called upon to pay annually for all the mistakes made by the former owners, for which arrangement there is no justification on earth. As indicative of the extent of this burden I may say that the fixed charges due the public immediately prior to consolidation were approximately \$35,000,000 per annum, whereas the earnings of the system, as reflected by the accounts, for the preceding five years, show that it could not earn its operating expenses, let alone make a contribution to this interest burden. In the five years 1918 to 1922 operating expenses exceeded operating revenue by 49 million dollars, an average of nearly ten million dollars per annum.

By Right Hon. Mr. Meighen:

Q. I do not think that is a fair statement.—A. It is given to me as accurate.

Q. Did you say the Canadian National Railways had to assume the responsibility for all the errors of its predecessors?—A. There were lots of errors.

Q. You didn't have to take that. Scores of millions of equity were wiped out, and the Grand Trunk had nothing but the debenture indebtedness, the

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debenture stock, on which it had always paid dividends. How can you say you got that under a handicap?—A. All I am saying, Senator Meighen, is that the revenues were exceeded by operating expenses to the extent, on an average, of \$10,000,000 per year.

Q. They were, after you got them; a while after anyway, not at first.—A. That was prior to 1923.

Q. You got them for the debenture indebtedness, on which they had always paid dividends, and you got the preferred stock and the common stock, into which scores of millions had gone, for nothing at all. You even got the Trans-continental—I do not think it was a prize—for nothing, and you got the assistance of the Government.—A. I was pointing out that in those years there was a big operating deficit without taking into account the interest on fixed charges.

By Mr. Biggar:

Q. Even if you put it according to the statement on page 56, even if you take the charge of \$35,000,000 a year in 1923, and hadn't come up within 15,000,000 of that except in 1925, 1926, 1927, 1928 and 1929. It may be that you were up to it in 1930.

Hon. Mr. ROBINSON: The \$35,000,000 interest charge?

Mr. BIGGAR: The interest charge went up according to that exhibit from \$35,000,000 in 1923 to a gross of \$56,000,000 in 1932, and from 1932 till now it has dropped to \$50,000,000. But if you take the net income available before paying fixed charges, that came within 15,00,000 only for about six years together. I have not counted the exact years.

The WITNESS: Of course we always earned something more than operating expenses before those years.

By Mr. Biggar:

Q. Except in 1931, 1932 and 1933, because I think the figures you quote of \$49,000,000 — —A. There was no year that we didn't earn our operating expenses.

Q. Oh, no; but you hadn't an income before fixed charges for three years. I mean operating expenses in the sense in which you are using it is a technical term, because your net income before interest was below your total revenues in 1931 by 5·2 million, in 1934 by 4 million, and in 1933 by 3·5 million. That appears from page 58.—A. There were two years, 1926 and 1928 when we earned all the fixed charges and the interest to the public.

Now, I think it was Senator Haig who asked for some information as to what savings we could suggest that might be brought about by enforced economies. I have a statement here of some of the things that I think are worthy of consideration. Some of them have been considered, but nothing has been done.

Hon. Mr. DANDURAND: Perhaps we could have it at 8 o'clock.

Hon. Mr. HAIG: Eight-thirty, I would say.

By the Chairman (Hon. Mr. Beaubien):

What is the total?—A. There is on total value given—just the projects—for the simple reason that conditions on both railways would have to be very carefully considered, and there would have to be an investigation by the co-operative committees of both companies.

The committee adjourned until 8.15 p.m.

The Committee resumed at 8.15 p.m.

Hon. Mr. BLACK: Mr Chairman, while we are waiting for a quorum, I may say that this morning I asked Mr. Brown some questions with regard to the distances between Diamond Junction and Saint John, via the different routes, and Diamond Junction and Halifax, and he has sent me a letter containing these. I will just hand this in.

Hon. Mr. McRAE: Is this Saint John versus Halifax?

Hon. Mr. BLACK: No. I asked my question to follow up a question asked by Senator Sinclair.

Hon. Mr. McRAE: I should like to know what the mileages are as given there.

Mr. BIGGAR: This is a letter addressed to Senator Black from Mr. C. B. Brown, Chief Engineer, Operation Department, Canadian National Railways. It is dated to-day and reads as follows:

Answering your question this morning with regard to various mileages between Diamond Junction and Saint John, and between Diamond Junction and Halifax, I am pleased to give you the following information: Diamond Junction to Saint John, via McGivney and

	Miles
Fredericton	478
Diamond Junction to Saint John, via N.T.R. to Moncton Yard and I.C.R. to Saint John	545
Diamond Junction to Halifax, via I.C.R. through Campbell- ton and Moncton	679
Diamond Junction to Halifax, via N.T.R. to Moncton and I.C.R. to Halifax	645

I trust this will give you the information desired.

Hon. Mr. McRAE: Taking the first figure you mentioned, against the 645, what is the difference?

Mr. BIGGAR: 167 miles.

Hon. Mr. BLACK: I just want to say there are many conditions which enter into that situation, political and otherwise—I do not mean political in a partisan sense—that have in the past prevented the railways from taking advantage of the shorter distance.

Hon. Mr. McRAE: You do not think it is the fog in Saint John harbour?

Hon. Mr. BLACK: I do not think it is the fog in either Halifax or Saint John.

R. C. VAUGHAN re-appeared as a witness and took the stand.

By Mr. Biggar:

Q. I understand that you have a list of possibilities for study under a policy of enforced co-operation?—A. Several of the senators here expressed the opinion that some information ought to be given to them as to some of the subjects which might be referred to an arbitral tribunal or a body such as Mr. Hungerford suggested.

The CHAIRMAN (Hon. Mr. Beaubien): Will you speak a little louder please?

The WITNESS: Some of the gentlemen here asked if we would furnish them with some idea as to the projects which might be referred to a body authorized to study economies.

Hon. Mr. HAIG: I plead guilty.

[Mr. R. C. Vaughan.]

By Hon. Mr. Dandurand:

Q. A body as suggested by Mr. Hungerford—A. Yes. I have a list of these here. They have been gone over hurriedly, but they do suggest a number of items that we believe might receive very serious consideration by such a body. If it is the wish of the Committee—

By Right Hon. Mr. Meighen:

Q. I do not see what value it has, because we have had that list or other lists times without number. But this body which Mr. Hungerford recommended was not to have any power to enforce economies.—A. He was referring more to this body that is constituted under the present Act. It is true that Mr. Hungerford did suggest a body that would initiate economies.

Q. He suggested a body which would compel the body that is already in existence, statutorily, to act,— a new commission to make an existing commission act.—A. I think the reason for that is that it seems from past experience that neither railroad wanted to take the stigma—if I may call it that—with the public and run the risk of losing any traffic by being the one to do this.

Q. They have the stigma of not doing it now.—A. If you wish to say that.

By the Chairman (Hon. Mr. Beaubien):

Q. Surely the economies must be initiated by one or other of the railways?—A. I agree with that.

Q. And that is going to be known?—A. Yes.

Q. Do you not think they will get the stigma anyway?—A. I think they will.

Q. Well, then, do you think that third party would help very much?—A. Well, I think the third party might help, but I think the machinery is there already to do the job.

Hon. Mr. McRAE: I think that Mr. Hungerford in his evidence, at one place at least, intimated—that this third man would study the unification proposals and insist on action where he thought it desirable. We went to some considerable discussion as to how the vote would be recorded, and he finally suggested, as you will remember, to give this man two votes. And then it was said that that would only make a tie.

The CHAIRMAN (Hon. Mr. Beaubien): Yes, I remember that.

Hon. Mr. DANDURAND: If you will wait one moment I will give you Mr. Hungerford's words.

The CHAIRMAN (Right Hon. Mr. Graham): I did not understand them to be quite as they are stated now.

Hon. Mr. DANDURAND: Here are the words of Mr. Hungerford, as appearing at page 1053 of the record:

I have previously referred to the unfavourable atmosphere under which co-operation has been attempted in the past five years. It may be that if this Senate inquiry could dispose finally of unification as an alternative to co-operation, that greater progress in achieving co-operative economies will be made in the future.

Furthermore, from the experience gained in the past five years, I suggest that serious consideration be given to the setting up, for a period of years, of a public body to deal with co-operation. This body should, in my opinion, be made up of three people, one representing the Canadian National Railways, one representing the Canadian Pacific Railway, and a Chairman representing the public interest.

Such a body need not be permanent, but might with profit be appointed for a 5-year term. It should be charged with the exploration of the whole field of possible co-operative measures and the development of specific co-operative projects. It should be its duty to endeavour to secure agreement of the two railways to all such proposals as are feasible, productive of economy, and in the public interest.

The reports of the body on specific projects should in all cases be made public at the time a majority decision is arrived at, because I feel an informed public opinion on specific co-operative projects would be very helpful to railway executives in considering co-operative measures.

In cases where public interest and economy indicate that a measure should be made effective, but in regard to which either railway company refuses to agree, compulsion should be invoked through the medium of the arbitral tribunal provided for in the present Act. I would suggest, however, that instead of leaving this

And this is the crux of his argument.

to the discretion of the railway companies,

Which have not moved for the last five years—these are my own words.

it should follow automatically after a reasonable stated time had elapsed from the date of the publication of the report.

I remember that Mr. Fairweather in his statement to the executive said that a certain project could well call for an arbitral board. He felt that there was need for it, but they never went further than that suggestion of Mr. Fairweather. Now Mr. Hungerford says if such an amendment were added to the Canadian National-Canadian Pacific Act, that Board would see that the suggested improvements tending to economies would come before the arbitral tribunal.

The WITNESS: Mr. Hungerford's idea was that it would speed things up and compel action on a matter to be started, that the matter would automatically go from this proposed board to the arbitral tribunal.

By Right Hon. Mr. Meighen:

Q. Mr. Vaughan, do you seriously say you think that board could be of substantial value?—A. I think it could be of some value, Senator Meighen. As a matter of fact I have not studied that part of it carefully. I think Mr. Hungerford gave it very careful study, and his idea in saying that was that the work might be speeded up.

Q. I do not know how it can appear to anyone but forlorn and futile. Here is your board composed of a representative from the C.N.R. and from the C.P.R. and another, presumably, appointed by the Government. Any projected economic plan has to be studied by men of whom this man on the board is the head, and the C.P.R. men are in a similar position. So, so far, we are exactly where we were before, just exactly as we are now. Then you say the third man will be able to say, "You people must go to the arbitral board." Who is the third man? He is appointed by the Government. Why so? Because the C.P.R. is afraid to initiate a reference to the tribunal. At least we assume so. The C.N.R. is admittedly afraid to do so for fear of unpopularity. Your plan assumes the Government will be quite prepared to assume unpopularity.—A. It is not exactly in that way. I think Mr. Hungerford's idea was to create some machinery to hasten these economies.

Q. Don't you see it depends on the Government representative being presumably more ready to welcome unpopularity than the representative of either railway?

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Hon. Mr. HORSEY: I don't think he made that statement exactly. What he said was that after a certain time, if the third man would not decide, automatically the matter would go before the arbitral board.

Right Hon. Mr. MEIGHEN: After they have studied it how long?

Hon. Mr. HORSEY: He did not fix the time.

Right Hon. Mr. MEIGHEN: You have either to fix the time or somebody has to say so.

Hon. Mr. DANDURAND: I think it would be easy to fix the time.

Hon. Mr. CÔTÉ: If the time is fixed after a certain period, there is an automatic reference to the arbitral board.

Right Hon. Mr. MEIGHEN: You do not need an independent man.

Hon. Mr. HAIG: Here is the answer Mr. Hungerford made to my question, which is the question we are discussing. It will be found at page 1078 of the evidence:—

By Hon. Mr. Haig:

Q. What would happen in a case like this? Suppose a matter comes before the board and both railway men on the board are not in favour of it. What would happen then?—A. I would give the chairman two votes, or something of that nature.

Q. Then there would be a tie. You would have to give him three. Would you give him power to override the other two?

He did not answer.

By Hon. Mr. Black:

Q. As I understand your suggestion, you would give him power to override so far as that he could decide to call for a tribunal?—A. In the ordinary course he would decide with one man or the other.

By Hon. Mr. Haig:

Q. Senator Hugessen said that your position was not as Senator Meighen suggested. You told Senator Hugessen that the suggestion was that the Canadian Pacific would appoint one representative and the Canadian National one, and the Government one. Now, suppose a proposition for economy is suggested by the Chairman, say. And the Canadian National man on the committee says "No," and the Canadian Pacific man says "No." Now, what would happen?—A. That is a situation I can hardly contemplate.

Q. Well, following up what Senator Hugessen said, can you tell me what would happen then?—A. You would have to make some provision for that.

By Hon. Mr. Horsey:

Q. You said it would go automatically to the tribunal?—A. That was my thought, that if there was any disagreement the matter would go automatically before the tribunal.

That is the answer to my question.

Hon. Mr. DANDURAND: We have been given a statement of those co-operative possibilities which should be studied, and which under a policy of enforced co-operation might be expected to produce substantial economy without serious reduction in public services. That is the memorandum you have in hand?—

A. Yes, sir.

Mr. BIGGAR: That will be Exhibit 94.

By the Chairman (Hon. Mr. Beaubien):

Q. Is the total of the economies shown, Mr. Vaughan?—A. There is no value shown, Senator Beaubien.

By Hon. Mr. Dandurand:

Q. Would you read that document so we may hear it and question you on it if we so desire?

By Hon. Mr. Beaubien:

Q. Train miles mean \$1 a mile?—A. There are other things all the way through it.

By Hon. Mr. Horsey:

Q. You did not total up what the savings would be in the aggregate?—A. No, sir.

The following list is to be taken as representative but is not exhaustive:—

1. Elimination of Duplicate Competitive Passenger Train Service:

	Estimated Reduction in Train Mileage
Toronto-Hamilton-Windsor	565,678
Toronto-Hamilton	54,080
Montreal Suburban	148,000
Ottawa-Pembroke	103,000
St. Therese-St. Eustache	8,000
Regina-Saskatoon-Prince Albert	214,000
Winnipeg-Regina	190,000
Saskatoon-Edmonton	230,368
Regina-Weyburn	44,000
Winnipeg-Port Arthur	18,000
Transcontinental, East of Winnipeg	892,181
	<hr/> 2,467,307

By Mr. Biggar:

Q. That is exactly the same list as we had discussed elaborately this afternoon?—A. Yes, practically the same. I have not the exhibit here.

Q. Your passenger manager told us that was all that could be saved under co-operation or unification?—A. Yes.

In addition to the above there are possibilities of economy in connection with:

Reduction in duplicate off-line and uptown soliciting offices;

Joint advertising;

Joint passenger traffic offices at off-line points in the United States.

2. Line Abandonments:

These can be pointed out on the map.

Province	Between	Railway	Approximate Mileage
N.S.	Middleton Jct.-Granville Centre	C.N.	22
Que.	Ste. Therese-St. Eustache	C.P.	6
"	St. Canut-Cushing Jct.	C.N.	23
Ont.	Arnprior-Renfrew	C.N.	17
"	Payne (Renfrew)-Eganville	C.N.	22
"	Glen Tay-Whitby	C.P.	58
"	Lindsay-Dancoel	C.P.	17
"	Lindsay-Coldwater	C.P.	57
"	Woodstock-Ringold	C.P.	17
"	Key Jct.-Key Harbour	C.N.	6
"	Lindwood-Listowel	C.P.	17
"	Bala-Wanup	C.N.	135
Man.	Rugby Jct.-Morris	C.P.	40
"	Portage-Delta	C.N.	16
"	Oakland-Cawdor	C.N.	12
"	Muir-Gladstone	C.N.	12
"	Hallboro-Beulah	C.N.	55
"	McGregor-Varcoe	C.P.	56
"	Hamiota-Miniota	C.P.	20
"	Brandon Jct.-Carberry Jct.	C.N.	22
"	Louise-Deloraine	C.N.	56
Sask.	Wolseley-Reston	C.P.	122
"	Perdue-Wilkie	C.P.	59
Alta.	Bruderheim-S. Edmonton	C.P.	34
"	Edmonton-Kerensky	N.A.R.	45
"	Carbondale-Morinville	N.A.R.	5
"	Warden-Alix	C.N.	9
"	Red Deer Jct.-Rocky Mountain House	C.N.&C.P.	65
"	Langdon-Beiseker	C.N.&C.P.	33

By Mr. Biggar:

Mr. Vaughan, for example, you have the first of those abandonments on that list as Middleton Junction versus Granville Centre.—A. Yes.

Q. Exhibit 56, which has been before the committee for a number of days, and which was prepared and put in by Mr. Fairweather, shows as No. 1 that Middleton Junction-Granville Centre line has been the subject not only of a report in favour of the abandonment, but there is an agreement completed in favour of it, and that application is being made to the Board of Railway Commissioners for permission to abandon the line.

Hon. Mr. DANDURAND: That explains why it is on this list.

Mr. BIGGAR: It is all settled.

The WITNESS: There are one or two items on this list which are practically settled, but have not actually been put into effect yet, but they were all listed here for that purpose.

Hon. Mr. DANDURAND: There can be no row about it now that the two parties are in agreement.

The CHAIRMAN (Right Hon. Mr. Graham): Except the people.

Hon. Mr. DANDURAND: And the Railway Board.

3. Running Rights to Effect Economy:

(a) Running rights over the Central Vermont between St. Johns, Que., to White River Jct., Vt., to give the Canadian Pacific an opportunity to effect an economy in train operation in making connection with Boston & Maine at White River Jct. as a substitute for Wells River.

(b) Running rights over the Canadian National from Sherbrooke to allow the Canadian Pacific to connect with the Maine Central and Boston & Maine in New England territory and effect an economy in operation as compared with route to St. Johnsbury.

(c) The co-operative use of the lines between Kamloops and Hope, B.C., to enable the Canadian Pacific to reduce operating expenses by the use of the more favourable grades on the Canadian National in freight service and to enable the Canadian National to use the Canadian Pacific track in Passenger service.

(d) Canadian Pacific to have running rights over the Canadian National line from North Bay to Pembroke for freight service thereby avoiding the adverse grades on the Canadian Pacific lines.

(e) Canadian Pacific to have running rights over the Canadian National from Nipigon to Current Junction for freight service to avoid adverse grades on the Canadian Pacific and in addition the possibility of abandonment of one of the lines.

(f) Running rights over the Canadian National from Twin City Jct., to James for freight services to avoid the adverse grades westbound on the Canadian Pacific line.

4. Handling of Freight Traffic by One Company on Behalf of the Other:

(a) The extension of the present co-operative arrangement for movement of grain between Edmonton and Kamloops and between Calgary and Kamloops to cover all freight traffic and the extension of this to Vancouver instead of Kamloops.

(b) A similar arrangement with regard to outbound traffic from the Okanagan Valley to Vancouver and points on the prairie.

(c) On the prairies generally an exchange of loaded cars from branch lines at the most conveniently located main line for haulage to and from Winnipeg.

(d) An arrangement between Winnipeg and the Head of the Lakes to economise train mileage by filling out trains of one company with overflow traffic for the other.

(e) A similar arrangement between Winnipeg-Capreol-North Bay for transcontinental freight traffic.

5. Joint Yards, Stations and Terminals:

(a) Vancouver: Joint use of terminal consisting of Canadian National, Canadian Pacific and Harbour Commissioners trackage;

(b) Edmonton Joint terminal, passenger and freight facilities;

(c) Calgary: Joint passenger and freight facilities;

(d) Saskatoon: Joint station facilities;

(e) Brandon: Joint facilities;

(f) Lake Head: Joint terminal;

(g) Joint passenger and freight facilities in the larger centres, such as Winnipeg, Toronto, Montreal, and at other points, might be worthy of study when Capital funds for re-arrangement and improvement of existing facilities are available.

6. Joint Enginehouses:

At Ottawa, Ont., and London, Ont., and other points, in addition to the possibilities at the suggested joint terminals.

7. Telegraphs:

Consolidation of the Telegraphs if the difficulties in connection with the Montreal Telegraph Agreement can be satisfactorily adjusted or, failing that, co-operation by the elimination of duplicate offices and duplicate services as far as possible.

8. Pacific Coast Steamships:

(a) Co-operation in services, and particularly co-operation to avoid future capital expenditures.

(b) Possible use by the Canadian Pacific Coast Steamships of Canadian National dry-dock at Prince Rupert.

9. Joint Freight Services on the Great Lakes:

Joint freight services on the Great Lakes connecting with Milwaukee and Chicago.

It is impossible at this time to estimate the economies from these various projects but it would reach a substantial volume even at the present depressed level of traffic. With increase in traffic the economies would, generally speaking, tend to increase and the field for further economies would widen. In addition, when Capital funds became available for larger co-operative undertakings, the economies would also be increased.

By the Chairman (Right Hon. Mr. Graham):

Q. Are those just recommended for study?—A. Just recommended for study. They are recommended as possible economies that might be considered and be put into effect by a body that might have the authority to enforce economies.

By Hon. Mr. Dandurand:

Q. By co-operation?—A. By co-operation.

By Mr. Biggar:

Q. Have you compared that with this more elaborate document before the committee respecting subjects that have been dealt with by the Joint Co-operative Committee?—A. No, I have not. I know Mr. Fairweather dealt very exhaustively with it but we were asked to put something into concrete form that might be useful.

Q. Do you know whether anything that is on your present list is not on here?—A. I think there are some on here that are not on there.

Q. You don't know which?—A. I don't know which offhand.

[Mr. R. C. Vaughan.]

By Hon. Mr. Dandurand:

Q. You were told that the statements of the Canadian National Railways were mostly destructive, not constructive?—A. Yes, sir.

Q. And in answer you bring these suggestions as being capable of application under co-operative agreement and in enforced or compulsory form?—

A. Yes, sir, that is right.

By Right Hon. Mr. Meighen:

Q. Can you explain why they have not been touched so far?—A. I think, as I said before, Senator Meighen—we have had a co-operative committee; I was not on it—and I think that only two people can explain why more progress was not made.

Q. They did not make much of a fist of it.

Hon. Mr. McRAE: There is a third man who could explain, and that I suggest should come before this committee. It is Judge Fullerton. I do not think he would have any tenderness in the matter.

Hon. Mr. DANDURAND: He said he saw clearly the unwillingness of the Canadian Pacific Railway to co-operate.

Right Hon. Mr. MEIGHEN: I do not think there has been much willingness on either side.

The CHAIRMAN (Hon. Mr. Beaubien): Well, where are we now?

Mr. BIGGAR: We will have Mr. Fairweather.

S. W. FAIRWEATHER was recalled as a witness, and took the stand.

By Mr. Biggar:

Q. Mr. Fairweather, like Mr. Armstrong, you do not need any introduction to the committee.—A. No.

Q. The committee has before it, Mr. Fairweather, a document prepared by you, apparently for Sir Henry Thornton, in the latter part of 1931. It runs from page 473 to page 524 of the Proceedings. It is Exhibit No. 42. There is a note on it that the report was completed on November 27, 1931, and subsequently revised. Can you tell us how that came to be prepared?—A. That report was prepared by me at the request of Sir Henry Thornton.

Q. Do you remember when that request was made?—A. That request was made in the summer of 1931.

Q. Was there any prospect at that time of the appointment of the commission, or was that before the commission of inquiry was even spoken about?—A. Oh, no, that was subsequent to Sir Henry Thornton having made his announcement at the select standing committee in Ottawa.

Q. And that announcement was followed on the 1st of December, 1931, I think, by the appointment of what we have been referring to as the Duff Commission?—A. I don't know that that needs my confirmation.

Q. Is that your memory?—A. I don't know when the commission was appointed.

Q. We will make sure of the date. I thought that perhaps you would remember.

The Order in Council is dated on the 20th of November, 1931, and the Commission proper on the same day. And to what extent were you engaged in the preparation of this report between the giving of the instructions and its completion?—A. Well, I was engaged on it for some considerable time, along with the other duties of the Bureau of Economics.

Q. Did you have any assistance from the other officers of the Canadian National?—A. Only from my own staff.

Is it a numerous staff.—A. Well, I don't know what you would call numerous. It is made up of a number of technical assistants and officers and clerks.

Q. Give us an idea.—A. The total staff at present is somewhere in the neighbourhood of twenty.

Q. Of whom how many would be technical?—A. Seven or eight.

Q. And was it larger or smaller in 1931?—A. A little larger.

Q. About how many then?—A. Oh, somewhere in the neighbourhood of, perhaps, thirty or thirty-five.

Q. And how many of those would be technical?—A. I imagine about eight—ten, I am told.

Q. Now, do you know when this was presented to Sir Henry?—A. It was presented to Sir Henry in this way: Sir Henry was naturally interested in the study, having initiated it, and from time to time he asked me with regard to it and discussed various phases of it. I could not fix the exact date on which the final report was in his hands, but it would be approximately, I would say, about the 1st of December, probably.

By Hon. Mr. Dandurand:

Q. Does it bear date?—A. The report itself, I think, bears date of November 27.

By Mr. Biggar:

Q. Then contemporaneously, or about that time, you were engaged, were you not, in the preparation of a memorandum for him on the subject of co-operation, which was completed on November 30?

Right Hon. Mr. MEIGHEN: Was that completion in November 1931 or 1932?

Mr. BIGGAR: 1931.

By Mr. Biggar:

Q. And there was another one which you were engaged on, partially at least, on the subject of co-operation, which was completed about the same time?—A. Yes, sir. The explanation of that is this. As I said, I was in consultation with Sir Henry from time to time on the first report, and I informed him that the further I got into it the more I was convinced that the thing was an impracticality and that the economies were elusive; that the things that appeared on the railway accounts would be offset by disadvantages elsewhere in the country, and I could not bring it down to a point where I could recommend it. He therefore asked me to give consideration to what might be done in a practical way.

Q. And that was the other memorandum?—A. That led to the other memorandum.

Q. Which forms part of Exhibit 21, which is printed at page 300 and following pages. And I observe in that second one that you refer in the last half of the page to "The present economic crisis."—A. What page is that, sir?

Q. Page 301. And you say that there was consequently justification for examining the situation to see what could be accomplished, and that attention should be directed to ensuring the maximum of operating economy.

Q. And then you go on:—

On this score, consolidation of the Canadian National and Canadian Pacific Railways into one operating unit would, on the surface, appear to be the best way of accomplishing this, since at one stroke all forms of wasteful competition would be immediately eliminated. A preliminary study has been made of the full effect of consolidation, and it appears as if a saving of fifty millions of dollars per year might be accomplished. This is a large sum, but again it is well to view it in the perspective of the whole problem.

[Mr. S. W. Fairweather.]

Then after referring in the next paragraph to the percentage that that bears to rail transportation, you go on, at the middle of that next paragraph, and say:—

It might well be asked whether for an economy of three per cent of Canada's transport bill, it would be desirable to place the destiny of the railways in the hands of a monopoly with the attendant danger of inefficiency, lack of initiative, and "the public be damned" attitude, which would naturally follow, and when to this is added the danger of creating a large body of electors with a common interest, it is quite probable that greater problems would be created than those which would be solved.

That was a very strong and very good statement of the situation, I suppose?—
A. It was the best I could make at the time.

Q. We shall come back to that probably. But turning on to the other one that deals with the proposal, you pointed out the same kind of objections to it again, at page 473. In the second paragraph you refer to these times as being abnormal. Unfortunately we have got to come to regard them as almost normal, have we not?—A. You may, sir.

Q. You do not?—A. I do not.

Hon. Mr. HAIG: You must be an optimist, then, Mr. Fairweather.

By Mr. Biggar:

Q. And then you go on in the third paragraph of page 473 as follows:—

The economies which can be foreseen as a result of consolidation are undoubtedly large, proportionately larger perhaps in Canada than in most other countries because time has not as yet justified the duplication of Canadian railway facilities by providing a compensating increase in population and traffic density. Much of the economy anticipated from consolidation can, however, only be effected by the resolute facing of a situation which requires sacrifices individually and collectively; for the economy, if it is to reach large proportions, will involve drastic abandonments of line, reduction in quantity and quality of service, particularly passenger service, and a considerable disturbance of the railway labour and material market. Canada must also be prepared to accept the risk attendant upon monopoly,—the possibility of inadequate service, of inefficiency, of carelessness, and of political difficulties arising from the creation of a large group with a common interest.

You put first the things that have to be faced, and at the head of that list you put "abandonments"; then, second, "reduction in quantity and quality of service, particularly passenger service"; and third, "a considerable disturbance of the railway labour and material market"; and fourth, "the risk attendant upon monopoly,—the possibility of inadequate service, of inefficiency, of carelessness"; and then, lastly, "political difficulties arising from the creation of a large group with a common interest." Would you now add any other objection to those five?

Right Hon. Mr. MEIGHEN: They seem enough, don't they?

The WITNESS: The conclusion of the report—

By Mr. Biggar:

Q. I am coming to the conclusion. Would you now add any other to those five that you put there?—A. I think that those qualifications, understood in the sense in which I put them in there, are as sound to-day as they were the day I put them in.

Q. But my question is, are there any others that now occur to you that should be added to those five?—A. With regard to the qualifications?

Q. The objections, yes.—A. Other than the ones at the end of the report.

Q. The end of the report is at pages 484 and 485. Perhaps we had better read the whole general paragraph which is the last except the ones that state the conclusions, at page 484:

The analysis under the aforementioned head must not be taken as exhaustive, but rather as indicative.

I imagine that that could only mean that the headings of possible economies are not taken as covering all the possible economies but only as indicative of the kind of economies in contemplation?—A. It means what it says, that it is not exhaustive, but indicative. I could not possibly sit down and make an estimate and say with a degree of certainty that a certain economy would result. All I could do was indicate that an economy might result. An exhaustive study of the thing might show that the economy was greater or it might show that it was less.

Q. Then you go on—

Right Hon. Mr. MEIGHEN: Are you questioning him on his own evidence? What is the object of this?

Mr. BIGGAR: I was coming to the next point. I think it is fair to put this, because everything he said here was subject to these general remarks, and I do not think it would be fair to put anything else to him until these general remarks have been called to the attention of the Committee. You say there—I am continuing to read that last paragraph on page 484—

The actual working out of a program of consolidation would require the employment of the technical staffs of the railways for a number of years before the opportunities would be exhausted. The conclusions arrived at are largely drawn from the experience gained in the consolidation of the properties of the Canadian National System, and in this connection it might be mentioned that the Canadian National problem was dealt with under the stimulus of competitive conditions; whether with this incentive lacking the economies mentioned herein could be effected, is to a certain degree questionable. The program is predicated upon a docile or practically helpless public, and an equally docile or helpless staff of employees.

Now, that just really reiterated the fourth of your points as put at the beginning, the monopoly point, with regard to the disappearance of competition. Would you turn then to page 486? I am going to call your attention to these items. There are none of these five reasons against consolidation which apply to the first item, under No. 1, "Directors' Fees and Expenses," are there?—A. No, I would not say so.

Q. And what about the second, "General Officers' Pay and Expenses \$350,000"—A. Oh, yes because they flow out of the general program, that is of very drastic changes that are contemplated to be done.

Q. But of your five heads—A. Well, the whole thing—

Right Hon. Mr. MEIGHEN: That cannot be done unless they are docile and helpless, I would assume.

By the Chairman (Hon. Mr. Beaubien):

Q. Is that so?—A. The docility of the public that would permit the sort of things that I contemplated in this report. General Officers' Pay and Expenses is all interwoven.

By Mr. Biggar:

Q. But that would not affect the public?—A. The possibility of making these reductions is based upon the drastic rearrangement of everything having regard to the system, and therefore it is interwoven with this.

Right Hon. Mr. MEIGHEN: If that is so, your answer to the first question was not right.

Mr. BIGGAR: No.

The WITNESS: My answer to the first question, sir, may be right or wrong, but it is my answer to it. And with regard to the Directors' Fees and Expenses, a matter of \$50,000,—now, the directorates are, let us say, a very small matter, and would not necessarily be affected by those drastic changes, but the other items there would be all affected by the drastic changes and could not take place without the drastic changes, and that therefore means that the reservations apply to that.

By Mr. Biggar:

Q. Perhaps we had better go back to those five heads. The first one is "abandonments." Now, abandonments of line would affect the public, would they not?—A. Oh, decidedly.

Q. And that would be also true of No. 2, the reduction of service?—A. What page is that?

Q. Page 473. Reduction of service would directly affect the public too, would it not?—A. Oh, decidedly.

Q. But "disturbance of the railway labour and material market," that is a general disorganization merely of the business of the country, I suppose, is it not?—A. May I ask what page you are at?

Q. Page 473. I am taking the general reasons that you put into your report.—A. And what is it you are asking me, sir?

Q. What is the "disturbance of the railway labour and material market"?—A. Well, it seems to be perfectly obvious. I cannot make it plainer.

Q. How would the disturbance come about? That is what I mean.

Hon. Mr. MURDOCK: By cutting several hundred employees off from their jobs.

Hon. Mr. DANDURAND: But my friend Senator Murdock is not the witness.

Hon. Mr. MURDOCK: Surely it is obvious what the witness means.

The CHAIRMAN (Hon. Mr. Beaubien): Mr. Fairweather can answer for himself.

By Mr. Biggar:

Q. There is no doubt about that, is there?—A. There could be no doubt about it.

Q. And as a matter of fact, the disturbance of the material market is only with regard to the purchase of stores, I suppose?—A. Everything the railway uses.

Q. You mean that it would be a good reason against consolidation that the country would save money by having to buy less stores?—A. No; but that needs a little explanation. I did intimate to this Committee the trickiness of an engineering and operating estimate when you were dealing with a national problem, that the things which appear in an engineering and operating estimate as tangible economies, when you look at them from the national standpoint are not economies to the extent indicated in your engineering and operating estimate. For instance, everything we buy in this country is loaded with the administration of Government, and very properly so. Now, if you make an economy on some national plan and you cut off the use of materials, you cut off, in doing that, taxes, and those taxes have to be deducted from the apparent

economy if you are going to get the net national economy. Also located in it are profits from which taxes can be paid.

Hon. Mr. HAIG: No, no, you are not right.

The WITNESS: At least, I am making my statement as I see it. And it is quite true that with regard to these things if you can envisage an expanding economy, so that the money which is saved will be turned back into productive use, you have an offsetting item. But when you attempt to do it under conditions under which that does not apply, then you have to be careful again. That is my opinion, and I hold it quite strongly, that the figures a man gets in dealing with a matter of national interest, figures which are obtained by preparing engineering and operating estimates, are not necessarily sound. That is something which has to be taken into account.

Q. My question was, you do not suggest that the saving of money on stores by consolidation should be avoided by reason of the fact that it is better to have that money spent than not spent by the country in connection with the railway?—A. Mr. Biggar, I have made my position as clear as I can. You cut off so many thousand tons of coal consumption on the railway. You get an apparent economy in the railway books. Don't mistake that figure for the national economy. It may be partly, but not entirely so.

Hon. Mr. HAIG: The history of the United States for the last four years proves conclusively that that statement is wrong.

Hon. Mr. MURDOCK: That is a matter of opinion.

Hon. Mr. HAIG: Results in the States at the present time quite forcibly prove it.

Hon. Mr. McRAE: What has that to do with national saving in taxes?

The CHAIRMAN (Hon. Mr. Beaubien): I think you had better let him proceed.

Hon. Mr. McRAE: I do not think this is relevant to the question we are discussing.

Hon. Mr. HAIG: He has raised these objections. The other witnesses gave us evidence that from 1930 to 1937 they had made a large number of these reductions, which he said could be made at that time. Apparently these objections he has raised were not effective because the reductions did actually take place. That is what is important to me. Public opinion did not rear up so much; it practically took the reductions without protest.

Hon. Mr. DANDURAND: There is this situation I want to draw to the attention of the committee. Before the Duff Commission the Canadian Pacific said "5,053 miles can be abandoned." They come before this committee and still say so. The Canadian National were asked to give their figures at the time. They come here now and do not repeat, like the Canadian Pacific, that the figure they gave of 2,400 miles still holds good. They say, "With our experience we think it could be so much." So their position is very different from that of the C.P.R. The Canadian National representatives here say, "We have had our own experience, and this is now our view." There will be an effort, and probably there is now, to try and have them maintain their position of 1931, 1932 and 1933, and say to them, "You said 2,400 miles at that time. Now, justify that figure."

Hon. Mr. HAIG: I am not suggesting that they justify anything. I am suggesting that Mr. Fairweather has raised five objections that you must remember when you are taking his estimate into consideration of \$50,000,000. He was quite right in making any reservations he sees fit. But I want him to point out as he goes along what did happen. I am persuaded a good many millions were saved. I want to know why these objections of his did not take effect. For instance, material buying is away down; the Canadian National

[Mr. S. W. Fairweather.]

is not buying as much proportionately as it did in 1930 or 1931. Yet I have not heard anything of the public stampeding at all.

Hon. Mr. McRAE: I want to make my point clear, Mr. Chairman. I do not think this committee should concern itself about consequential loss to national revenue through economies. Let us take the economies here and cut out consequential loss, which always occurs whoever may economize.

Hon. Mr. MURDOCK: When did we quit representing the Canadian people?

Hon. Mr. McRAE: We are representing the Canadian people in trying to show what savings can be made. But we cannot go into that far-flung realm of national loss through taxes, any more than we could take into account loss through income tax.

Hon. Mr. HORSEY: Mr. Fairweather has been asked to explain that matter.

Hon. Mr. McRAE: I don't think the committee ought to go into a long discussion on consequential losses. We had better stick to our knitting.

Hon. Mr. HAIG: I don't think he should state things in dispute which have nothing to do with railway economies.

Hon. Mr. HORSEY: He is giving an explanation of the interpretation of his own report.

Hon. Mr. HAIG: It speaks for itself.

Hon. Mr. HORSEY: But he has been asked to explain it.

Hon. Mr. McRAE: Did he deduct national losses in connection with his statement? I don't think he did. If he did, all right.

By Mr. Biggar:

Q. We have a good many items here. The question is which of these objections apply to particular items. There are two objections, abandonments of line and reduction in quantity and quality of service. Those might directly affect the public that used the railway?—A. Wait a minute.

Q. Cannot you answer that question for me? There are two of these five heads of objections that directly affect the public that uses the railway.—A. As a whole.

Q. Directly? Give the adverb its weight. Abandonments directly affect some people who would use the railway if it was not abandoned—A. Directly affects them and indirectly a great many others.

Q. Directly affects is all I am asking you. I assume a reduction of service can directly affect people who use the railway.—A. Yes.

Q. Now, cutting off employees has a tendency, you say, to disturb the labour market?—A. Yes.

Q. And reducing the expenditures for stores has a tendency to affect the material market?—A. Yes.

Q. Then the other two, the lack of competition from the monopoly point and the political group, those are widespread social effects that are of general character and would apply to any arrangement by which we had unification?—A. Decidedly.

Q. But they do not affect any particular item more than any other; they apply to—A. Everything.

Q. Let us assume those last two affect every item, and let us see which of the other three affect these items. Do any of the first three affect directors' expenses and fees?—A. I have already answered.

Q. They do not. And that is true, is it not, of general officers' pay and expenses \$350,000?—A. What page is that on again?

Q. At the top of page 486.—A. It is all intertwined.

Q. It is quite easy. I ask you that neither of these is affected by any of the first three objections?—A. Neither of what?

Q. Of the first two items.—A. The two there?

Q. How does abandonment affect the question of directors' fees?—
A. I did not say it did.

Q. That is what I asked you. How does reduction of service affect directors' fees?—A. I misunderstood you.

Q. Those two items are not affected by any of the first three objections?—
A. General officers' pay and expenses?

Q. That is not going to affect the labour market?—A. No.

By Hon. Mr. Murdock:

Q. Is not the abandonment of lines going to affect them.

Mr. BIGGAR: Not these particular figures.

Hon. Mr. MURDOCK: It would surely affect the number of officers.

Mr. BIGGAR: That is in another item.

By Mr. Biggar:

Q. Clerks and attendants, \$500,000. That item is touched only by the three last objections, disturbances of the labour market, monopoly, and political group. That particular item has nothing to do with abandonment or reduction of services.—A. Perhaps I am misunderstanding the thing. The disturbance comes in through the drastic changes.

Q. I say there is a disturbance of the labour market here; but the objection on the bases of abandonment of lines and reduction of service, has nothing to do with this particular item?—A. These would flow from the others.

Q. It is a consequence of this item. It is not involved in it. It is not a necessary consequence either? Surely I am right. Suppose you had no abandonment and no reduction of service, you could still make this saving of \$500,000 in item 3?—A. Oh, no. Clerks and attendants, certainly not.

Q. No?—A. No.

Q. Are you sure?—A. Wait a minute. I may say this, and I think it is only fair to the committee, that this report I prepared in 1931, and I cannot now be expected to know every detail of it and to speak with certainty with regard to every detail. If I am to be cross-examined in regard to every detail of this I would have to go and familiarize myself again with every item.

Q. There are lots of opportunities.—A. It may be quite true what you say, I don't know.

Q. You put it in the second paragraph on page 475. That perhaps you had better read, but you will see it has nothing to do with abandonment of lines and reduction of service.—A. Well, I think it has. I see at page 475 I said, "Having regard to this feature and to the expectation of a lessened total operating expense amounting to possibly \$30,000,000 per year with consequent reduction in supervision, it is anticipated that the economies under this heading would amount to approximately \$500,000." That seems to me perfectly plain that it has relation.

Q. It has some relation?—A. Yes.

Q. Clerks and attendants in general overhead?—A. Why, certainly.

Q. Your total reduction in service that we are coming to is \$4,300,000, which is one-twelfth of your total. So that on that basis that would take one-twelfth of the clerks and attendants?—A. I do not know, I could not say that.

Q. What was in your mind about it?—A. You are asking me to say how I made my estimate up. I am just telling you the estimate stands for itself as it is here.

Q. Right. Office rent. That is not going to be affected by any of those objections, except the general one, the last two.

Hon. Mr. DANDURAND: What does that office rent mean?—A. It certainly is not a very high item as I see it.

[Mr. S. W. Fairweather.]

By Mr. Biggar:

Q. And that is true of office supplies, except so far as it affects the material market?—A. I want to say right here and now that I think it would be a very difficult thing to accomplish. It would be very problematical, because in most of that you practically say, "I am going to take certain people by the throat because I am in a dominant position." Actually they may be in a position to resent that; they may be in a position to defend themselves.

Q. Take the next item, rerouting of foreign interline traffic to lengthen system haul, \$4,000,000 for a normal year. That is not open to any objection except that of monopoly and lack of competition, is it?—A. That is all, and the possibility of doing it. You must understand what I was doing. I was sitting down trying to envisage to myself what I would do if I had a monopoly, and this is one of the things I thought I might try. I want to say right here and now that I think it would be a very difficult thing to accomplish. It would be very problematical, because in most of that you practically say, "am going to take certain people by the throat because I am in a dominant position." Actually they may be in a position to resent that; they may be in a position to defend themselves.

By Hon. Mr. Dandurand:

Q. They may be in a position to take you by the throat.—A. Quite. It is very problematical.

By Mr. Biggar:

Q. I wish you would look at the paragraph on page 476 in which you deal with that, because I do not find anything that carries us as far as you now say.—A. What paragraph?

Q. The second paragraph under "Readjustment of tariffs and traffic." Perhaps we had better read it.

The first item to be considered is the rerouting of foreign interchange traffic to lengthen system haul. The Canadian Pacific and Canadian National Railways have in the past each favoured certain foreign lines; these foreign lines being chosen so as to yield the maximum traffic benefit. Thus, the Canadian Pacific Railway favours the Boston & Maine in Quebec frontier connections, and the Michigan Central at the Detroit gateway. The Canadian National possessing the Central Vermont and the Grand Trunk Western lines, manages to retain control of the traffic for a considerable distance into the United States. The Canadian Pacific also have United States affiliations in the territory west of Chicago. Exhibit 4 is a map showing the United States gateways of the two systems and the connecting roads. It is quite apparent from this exhibit that much could be done in case of consolidation in routing traffic so as to considerably lengthen the system haul. This is particularly true of traffic between central Canada and points in New England and central United States. Exhibit 4 in addition to showing the gateways, also shows the suggested re-routing of traffic. From a detailed knowledge of the traffic moving on the United States lines of the Canadian National, it is anticipated that consolidation would increase the freight revenues of the combined system by \$5,400,000 with an offsetting increase of 411,000,000 revenue ton miles, as shown in Exhibit 5. Paralleling the freight situation there is the competitive passenger situation. Exhibit 7 shows the passenger connections of each railway between important Canadian and United States points. Under consolidation it would be quite feasible to readjust this service to the benefit of the combined system resulting in estimated increase gross of \$1,170,000 as shown in Exhibit 6. These items of increased gross revenue would, of course, carry with

them increased operating expenses; these on a direct out-of-pocket basis are estimated to amount to \$3,250,000 for both freight and passenger, leaving an increase in the system net of \$3,320,000.

—which is the figure carried in on page 486 in the first column; and Exhibits 5, 6 and 7 are on pages 489 and 490. The first of them gives full details of the money value of the ton miles that enter into that calculation, and the second, Exhibit 6 gives full details of the passenger miles, so that you get in the one \$2,513,000—I think that is right—at all events, between the two of them you get \$3,320,000.—A. I should hope my estimate would hang together to that extent.

Q. It does.—A. It does?

Q. As a matter of fact, I had difficulty with it twice over. It is right. Now, I do not find anything in that discussion, which is all there is in the report on the subject of the \$3,320,000 or the \$4,000,000 for a normal year.—A. Yes, but you must remember that this report was read by a railroad man, and railroad men know perfectly well the qualifications that would go with such an estimate. It is feasible to attempt, and how much you would get is a matter of luck.

Q. Then, let us go on to the next item "Readjustment of interline divisions," \$3,000,000 for a normal year. Isn't that in the same position?—A. Yes, except—

Q. It is not affected by any of the objections except the perfectly general one, except monopoly and political groups.—A. And it is even more problematical than the previous one as far as realities are concerned, because in these interline divisions it is all bargaining.

Q. Does English mean something different to a railway man from what it means to an ordinary layman, because this is what I find you stating at the bottom of page 476:

Allied to the re-routing of foreign interchange traffic is the question of readjustment of interline divisions. At present the division of any freight rate between a foreign railway and either the Canadian National or the Canadian Pacific is a matter of negotiation between the parties and since most of this traffic is moving to or from competitive points in Canada, it is obvious that the basis of divisions is influenced by competition between the Canadian Pacific and the Canadian National. Under consolidated operation this competition would be eliminated. The volume of the traffic interchanged by the Canadian Pacific and Canadian National Railways with United States roads, other than their own subsidiaries, amounts to approximately \$50,000,000 per year. It is anticipated that ultimately the basis of division could be readjusted to yield an increase of, approximately five per cent, which would amount to \$2,500,000 per year.

Do you want to tell me that that statement means to a railway man that you cannot do it and that the economy is not real?—A. It means exactly what it says, that under monopoly it is something you try; that there is my estimate of what can be achieved. It means exactly that. The general reservation of monopoly applies to it.

Q. You see the words:—

It is anticipated that ultimately the basis of division could be readjusted to yield an increase of approximately five per cent, which would amount to \$2,500,000 per year.

—A. Yes. What have I said any further than that? I said that if I had a monopoly in this country that is what I would try to do.

[Mr. S. W. Fairweather.]

Q. That is not what you say. You say you anticipate that you could make that.—A. That is exactly what I am saying now. Under a monopoly I would try to do that, and that is what I think might be done under monopoly. Whether it could be done or not I don't know.

Hon. Mr. MURDOCK: Mr. Biggar, do you recall a witness saying how difficult it was to arrange a division of the revenues? He also told us how much more difficult it might be, if there was a monopoly involved in the Canadian railway situation, to get a correct estimate of the dividends or revenues they thought they were entitled to.

Hon. Mr. McRAE: We seem to be getting a new word. I thought it was "unification." Now it is "monopoly."

Mr. BIGGAR: This is just called "consolidation."

Hon. Mr. McRAE: I think we should stick with "unification."

Mr. BIGGAR: I did not want to use a word that Mr. Fairweather did not use.

By Mr. Biggar:

Q. Now, the next item is the cancellation of agreements with carload consolidating companies. That would not affect the public in any way?—A. Oh, yes, decidedly.

Q. How would it affect the public?—A. It would mean that they would have to pay more money to get their freight moved, that is what.

Q. And to what extent would they have to pay more money?—A. Well, at the present time if these carload consolidating companies collect L.C.L. freight and consolidate it into a carload and bill it on the railway at carload rates, for doing that they charge the shipper a fee which is somewhat above the carload rate but below the L.C.L. rate. All I am saying is that if I had a monopoly in this country I would cut out that practice and would not accept such freight.

By the Chairman (Hon. Mr. Beaubien):

Q. You would cut out the intermediaries?—A. Yes, I would.

Q. Do you think the public would complain?

Hon. Mr. HAIG: I do not think so.

The WITNESS: As a shipper I think I would complain.

By the Chairman (Hon. Mr. Beaubien):

Q. You would charge the fair rate for a full car?—A. Here is a man shipping 500 pounds. Under monopoly I would say, "You have to ship that at the L.C.L. rate. I won't allow the consolidating company to step in between me and you."

By Mr. Biggar:

Q. Then, at the top of page 477:

The eager competition for freight between the two railways has led to certain uneconomic practices with relation to the fostering of L.C.L. consolidation.

And you have described them.

Under unified operation the competitive incentive to such practices would be removed with beneficial effect upon the net income estimated at \$1,000,000.

That is undoubtedly a mistake. It should be \$100,000?—A. Oh, yes.

Q. It is a mistake either in the original or the proof?—A. Yes, it is a mistake. But from the railway standpoint. There is a case where you do something that was detrimental to the railway, but the benefits of that were passed on to individual shippers in lower rates. They got better service at lower rates.

Q. The next two items are debit items. They are deducted from the previous three. I do not understand why they are dealt with at rather greater length than some of the larger items, in two paragraphs at page 477, if these previous figures amounting to \$7,000,000 in the second column were just hopes and not estimates. Why bother with a little matter of \$550,000 if the \$7,000,000 was an inspiration?—A. The estimates tried to encompass the whole field. That is the only answer I can give you.

Q. I think it was very competently done. That is the reason I call attention to it.

Now, let us go on to the next group. Those are all with regard to traffic solicitation and advertising, and we have been told by some of the other witnesses that a good deal of expense is incurred by each railway to get business from the other. You estimate a saving there of \$6,800,000 by cutting out competition between the two railways in advertising and seeking traffic?—A. Yes, sir.

Q. That is not going to affect anything but the labour market.—A. Oh, that would affect the shippers to a marked extent.

Q. Because?—A. You see, this whole thing is interlocked with monopoly, and under those conditions I would not give the shippers the service they are presently getting. If they wanted to know where their cars were en route I would not have the people to tell them, and they could take it in their stride.

Q. There is nothing in the report that indicates all that. After dealing with supervision on page 477, you say:—

Under the heading of "Agencies" comes most of the detail expense of soliciting traffic. The combined expense for the two railways amounts to \$8,200,000 per year. Drastic economies could be effected in this field.

And then you go on to point out that because there still would be a highly competitive situation

with other transportation agencies, either U.S. railways, steamboat lines, or the highway, therefore traffic solicitation could not be completely eliminated, and further, traffic agencies in addition to solicitations render an important service to the public, a service which the public is entitled to, but it is undoubtedly true that at present, much of the activity of the solicitation forces of the two railways is directed to direct competition, and it is estimated that with the emphasis on service rather than solicitation, an economy of \$3,000,000 per year could be effected.

A. That is what I meant.

Q. Then you did not propose to take away the service; you proposed to emphasize the service and save competitive solicitation?—A. I was proposing to give them the service that they would get under a monopoly. They are getting more service to-day; I was taking that away from them.

Right Hon. Mr. MEIGHEN: There is nothing to indicate that in your statement at all, Mr. Fairweather. English means English. There is not the slightest indication of that.

By Mr. Biggar:

Q. The next item is with regard to advertising, \$2,000,000. And what you say on that subject is at the bottom of page 477:—

What has been said of agencies is even more true of advertising, which for purposes of this study will also include the cost of radio. The combined expense of the two railways amounts to \$4,800,000. Advertising by Canadian railways in foreign countries is, of course, highly desirable as it influences both freight and passenger business. Moreover, a considerable portion of the advertising consists of necessary

[Mr. S. W. Fairweather.]

service advertising with regard to train schedules, etc. It is anticipated economies would amount to \$2,000,000 per year.

—A. Yes.

Q. And that is out of a total of \$4,800,000. Now, there is nothing there to indicate that it would do any harm to cut out this competitive advertising, is there?—A. No.

Hon. Mr. MURDOCK: May I just read something here that to me implies only one thing? Yet I heard it stated a moment ago that it did not imply that. Near the bottom of page 477 it is stated:—

it is undoubtedly true that at present, much of the activity of the solicitation forces of the two railways is directed to direct competition, and it is estimated that with the emphasis on service rather than solicitation, an economy of \$3,000,000 per year could be effected.

What does that mean, if it does not mean—

Right Hon. Mr. MEIGHEN: What it says.

Hon. Mr. MURDOCK: Yes, it means what it says, that a monopoly would permit the elimination of \$3,000,000 solicitation service.

Right Hon. Mr. MEIGHEN: But that is not the implication that is given.

Hon. Mr. MURDOCK: That is the only understanding that I can get from it. Of course, somebody who does not want to understand it, will not.

Right Hon. Mr. MEIGHEN: There is no difficulty about understanding it.

Hon. Mr. MURDOCK: Not a bit, when anybody wants to understand it fairly.

Hon. Mr. HAIG: It meant that more service would be given.

Hon. Mr. MURDOCK: It meant that with a monopoly there would be no necessity of solicitation services, because the public would have to come to the monopoly to get service, and \$3,000,000 would be cut out.

Right Hon. Mr. MEIGHEN: It does not.

Hon. Mr. MURDOCK: That is what the English in effect says.

Right Hon. Mr. MEIGHEN: No; it says that the emphasis would be on service.

Hon. Mr. MURDOCK: The emphasis on service by a monopoly.

Right Hon. Mr. MEIGHEN: Yes, the service is emphasized.

Hon. Mr. BLACK: The word "monopoly" is not there.

Hon. Mr. MURDOCK: No, it is not there, and it would not have been discreet to put it there, surely. But that is what it implies, if it implies anything.

The CHAIRMAN (Hon. Mr. Beaubien): Do you not think we had better go on, gentlemen?

By Mr. Biggar:

Q. I can take the next three items together: regional and district and division superintendence, which together amount to \$950,000 in a normal year. That would not be touched by any of your objections, except the objection based on monopoly and political groups?—A. What page does that occur on?

Q. That is dealt with on page 478.—A. It is item 4 you are looking at?

Q. Yes. I was not troubling with the little items of \$100,000 and \$300,000; I was taking the big ones. These little ones are not going to be affected by anything except monopoly and political groups? They are not going to affect the public generally?—A. No.

Q. Now, go on to regional and district and division superintendence. They are affected only by your objections to monopoly and to political groups?—

A. No; the whole thing comes into the picture there. These grow out of the drastic rearrangement of the physical facilities.

Q. At all events, that is a purely internal rearrangement, is it not? You see, you have discussed that at some length on page 478, and you conclude, after a discussion of the situation, by saying:—

It would be quite feasible to consolidate these 18 districts as at present into 9 districts in the consolidated company, with a resultant economy of \$350,000.

A little further up you have dealt with the division of regions, in the middle of the paragraph, where you say:—

Under a consolidated condition it would appear possible to have but three main regions Eastern and Western in Canada, and all Lines in the United States. This would effect considerable economy which it is estimated would amount to \$200,000 per year.

And then the third item, of \$600,000, is dealt with in the next paragraph, where you say:

The wide diversity in importance of these divisions is at once apparent. The consolidation of the two systems would permit of increasing the mileage of many of the divisions without decreasing the accessibility to any considerable extent. It is proposed that the 74 divisions of the Canadian Pacific and Canadian National should be reorganized into 50 divisions. The economies resulting therefrom would amount to approximately \$600,000.

As a matter of fact, you have in Exhibit 9, pages 493 and following, an elaborate schedule concluding with a rearrangement of the divisions?—

A. Oh, yes.

Q. The summary of regions is at the top of page 500.—A. Well, just what was your question with regard to that?

Q. My question was, that it was merely an internal rearrangement?—A. I do not know what you mean by "internal."

Q. I mean it would not affect the public in a direct way.—A. My dear man, that could not possibly be said. For instance, take Moncton. That is a regional headquarters. Now, if you abolish Moncton as a regional headquarters and say that does not affect anything, that it is merely internal to the railway, that is foreign to my reasoning.

Q. Do you mean to say that Canada must continue indefinitely to maintain regional headquarters at Moncton?

Hon. Mr. ROBINSON: Here, here. What are you trying to do, get rid of Moncton?

The WITNESS: My point, sir, was directed to this. That it is not an internal rearrangement.

Hon. Mr. BLACK: I want to ask a question here, if it is pertinent. The old I.C.R. was a part of the Confederation pact, and no matter what you might do I do not see how you are going to eliminate that original agreement with regard to the old I.C.R. It seems to me that no matter what you may do towards unification and that sort of thing, there has got to be some headquarters for the I.C.R.

Hon. Mr. ROBINSON: I think if you undertook to eliminate Moncton you would find it is more than an internal arrangement.

The CHAIRMAN (Right Hon. Mr. Graham): There was a witness to-day who made a very strong comment on that very same point, that you could not handle the traffic properly if you removed Moncton as a headquarters.

[Mr. S. W. Fairweather.]

Hon. Mr. HAIG: Let us take Winnipeg, then, so as not to have a row about the Maritimes.

The CHAIRMAN (Right Hon. Mr. Graham): He made a very strong case out of that, that for the traffic itself there would have to be a headquarters for the origin of traffic in the Maritime Provinces.

Mr. BIGGAR: I do not want to carry this on a minute longer than is necessary, but we have been three weeks examining the only other estimate with regard to consolidation that has been made, and the objections to the one are just exactly the same as the objections to the other.

The CHAIRMAN (Right Hon. Mr. Graham): I was defending Moncton.

Mr. BIGGAR: The objections with regard to abandonments and reduction of service and disturbance of the labour and material market and monopoly and political groups apply equally to both reports that are before the committee.

Hon. Mr. ROBINSON: As I understand it, all these estimates, such as this one and the \$75,000,000 one, mean just exactly that, that you have to destroy towns like Moncton. That is my understanding of it. And that suggestion is absurd.

Hon. Mr. HORSEY: I understand this witness says these savings can be made under monopoly but cannot be made otherwise. I think that is the essence of his statement, without going into details.

Mr. BIGGAR: Yes.

Hon. Mr. MURDOCK: Do you not think we should ascertain from this witness how much if anything has already—

The CHAIRMAN (Hon. Mr. Beaubien): One at a time.

The WITNESS: Senator, I can put that very plainly. I was distinctly instructed by Sir Henry Thornton to explore the economies that would take place under a monopoly, and he asked me at the same time to condition myself to that attitude of mind and let him have a report on it, with all the implications of it. Now, I did it. I told Sir Henry in the preparation of that report it carried conviction to me that the thing was not practical. When I went before the Royal Commission, and they asked me if I had ever made a study of consolidation, I said, "Yes, and it did not carry conviction to me. I had made it for Sir Henry Thornton." They asked whether there was any objection to having it exposed to them, and I said, "No."

By Right Hon. Mr. Meighen:

Q. Is that evidence on record?—A. No, sir. The reason for that is simple, but I am sure it can be confirmed by witnesses who were present and heard it. I said before I read it to them—and I did read it to them—that it was a report that had not carried conviction to me, that this thing was something which was not advantageous to Canada.

Q. What thing?—A. I am answering Senator Horsey's question, and I should like to make it clear.

Q. All right.—A. I read it to the Duff Commission, with running comments on it such as you gentlemen are hearing now, exposing to them the implications in the various things there that were put down as to what phases of monopoly I was contemplating in this and that and the other thing, and also making perfectly plain what I meant by the reservations. Now, that is all I can say. I have said the same thing before this committee. I prepared this report, Senator Horsey, in an honest attempt to condition myself to a monopolistic approach to the railway situation of Canada without any regard to anything else, without any regard to the service to the public, except that service to the public which I thought we would have to give, and not from the standpoint of

the broader situation, but from the narrower standpoint of what the monopoly would envisage.

Q. Are you through?—A. Just a minute and I will be through. Within that boundary it is the best estimate I could produce. I attached reservations to it and sent it in to Sir Henry Thornton.

Q. Now are you through?—A. Yes, sir.

Q. What I want to ask is this. If what you state is correct, when you gave the Duff Commission this report in effect it was of no value at all, because it presumed things to exist which did not exist, namely a "helpless public and a docile labour situation". How is it that those words which destroyed the evidence you put in do not appear in the Commission's report?—A. They do.

Q. Those words?—A. Yes, sir, they do, those exact words.

Q. You told the Commission it depended on this, unless we had a helpless public and a docile labour situation we could not possibly do it; you told that to the Commission?—A. Yes.

Q. And it is in the Commission's report?—A. It is not in the report of the Commission, it is in the Proceedings.

Q. In the evidence?—A. In the evidence. I am sorry if I said it is in the report.

Q. Did the Commission publish this as part of their report?—A. No, no.

Q. Or in their evidence?—A. You will find it filed in the Parliamentary Library.

Q. I do not see that it was worth filing. A year's time was given to something that could not possibly be of the slightest value at all, because it depends on two things that every human being knows do not exist.

Mr. BIGGAR: It will be found at page 1037, where a report of the memorandum that was made of the discussion before the Royal Commission on this estimate is printed as Exhibit 76. It says: "Whether with this incentive—that is, the competitive incentive—lacking the economy referred to could be effected was to a certain degree questionable. The program was predicated upon a docile or practically helpless public and an equally docile or helpless staff of employees."

Right Hon. Mr. MEIGHEN: It would be a helpful program, would it not?

By the Chairman (Right Hon. Mr. Graham):

Q. Is it possible that in deciding what can be done we may interfere with connections of both railways in a foreign country? Canadian companies are allowed to operate lines—they are not Canadian lines in all respects—in the United States. We can make all the laws we like to protect us here, but is there not a danger of injuring the railways by interfering with their very valuable connections in the United States if in certain directions we go too far? Can we say, without an arrangement with the American railways, under the American laws as well as our own, what you can do with a line of connections? I have been worrying about that for a couple of weeks.—A. Senator, I will say this, that I assisted in the preparation of a report on that very matter, and it is a very serious and a very delicate matter. I think what you say, sir, has a very considerable bearing upon the practicability of anything of that nature.

Q. Where you are interwoven?—A. Oh, very decidedly.

Q. If the United States or any State in the Union should pass an Act to protect their own lines and keep the traffic on their lines all through the United States instead of letting a very great portion of it run over Canadian lines in Canada, is it possible you might be stirring up a hornets' nest that would be very expensive?—A. It is really a very delicate matter—

Q. I know it is.—A. —and I hardly feel free to speak on it when it is being taken down publicly.

Q. I did not express any opinion on it. Don't answer the question.

[Mr. S. W. Fairweather.]

Hon. Mr. HAIG: Mr. Chairman, I should like to ask Mr. Fairweather one question. May I?

The CHAIRMAN (Hon. Mr. Beaubien): Yes. Go on.

By Hon. Mr. Haig:

Q. Mr. Fairweather, I am still worried about the first four months of this year. I anticipate May will not be any better. I may be wrong, I hope I am. What are your suggestions to meet that desperate suggestion? I point out to you that your revenue has gone down in round figures \$4,500,000, while your expenses have gone up \$4,500,000 in the four months. The C.P.R.'s revenue has gone down I think \$2,500,000 and their expenses have gone up about half. That is a desperate railway situation. What have you to suggest, first, as to how that situation can be met; secondly, why your expenses went up more in proportion than did the Canadian Pacific's, whereas your revenue went down more than theirs did proportionately?—A. Well, sir, there are quite a number of questions there, and they are very involved.

Q. All right. I will put them individually. How do you propose to meet the drop in revenue on your road?—A. You will appreciate, sir, I am a staff officer, I am not an executive. I can say in a general way that, consistent with essential service, the thing to do with declining traffic is to curtail your expenses at every point possible. I have also in the broader aspect of the thing indicated there are sensible and sane economies that can be made by a policy of co-operation between the Canadian National and Canadian Pacific Railways. Those should be explored. They envisage a considerable opportunity for economy.

By Hon. Mr. McRae:

Q. You have been exploring them for five years?—A. Yes; but the emphasis was on exploration.

By Hon. Mr. Haig:

Q. Go on now with my question about expenses having increased.—A. With regard to the second matter which, I take it, is an explanation as to why our expenses do not show a reduction proportionately with those on the Canadian Pacific, if you refer to my evidence previously given before this committee, you will find I did explain the situation with regard to that, and I do not know that it is desirable I should repeat it. I did, sir, make an explanation why that occurred. The Canadian National did as a deliberate matter of policy.

Q. That is in 1930?—A. No. That applied when the depression started—this new recession started in the fall of 1937.

Q. Right.—A. There was a condition facing the Canadian National Railway. That condition was met in a certain way. It was met with the deliberate anticipation that it would make the results of the first three or four months of the year adverse under declining traffic, because it was deliberately done. There was work to be done, and that work was done in advance of requirements, and there was both a business and a general justification for it. The business justification was that the wage agreement would restore rates of pay, and if we postponed the work we would have to pay higher wages. Also there was the general situation. Nobody can tell when you go into one of these depressions whether there is going to be a pick-up in the succeeding months or not. If it had been of a temporary nature—and the recession still may be only temporary, then the repairing of this equipment during the winter months in advance of requirements would have been turned to very excellent account, and was, I think, sound business administration.

Q. April is about as bad.—A. This plan extended through the winter months.

By Right Hon. Mr. Meighen:

Q. Up until when?—A. Sir, I really could not say the exact date, but I think it was on June 1 that certain adjustments in the shops were made; certain adjustments were made on April 1 and then on June 1. I cannot say as to that, but I do know what the broad policy was.

By Hon. Mr. Haig:

Q. That is the same policy as you had in 1930?—A. Yes.

Q. You had been taught a pretty severe lesson in 1930?—A. I don't think it ultimately cost us anything so far as equipment repairs are concerned.

Q. You have always a cushion to lie back on. You make the public pay for it. If you were a private company you would have done what the C.P.R. did.—A. I am not a private company neither am I the Canadian National. I was asked a question and I am giving what I happen to know to be the policy of the railroad.

Q. Anyway we have this second recession, as President Roosevelt calls it, or depression as most of us think it is.

Hon. Mr. HORSEY: Wasn't there a rise in wages on April 1?—A. That is exactly the point, sir.

By Right Hon. Mr. Meighen:

Q. Was your work done by April 1?—A. I wouldn't want to state definitely, sir, without refreshing my mind, but I think it continued through the fall of 1937 and through to the end of March of 1938, and then a tapering off process began. But I would not want to speak with absolute definiteness.

Q. Then we should have had a better month in April. Instead of that we got a worse. The April figures are what astounded me most. At any rate, I hope we get something better for May.

Hon. Mr. HAIG: We will get it on the 20th. It has got to be filed.

By Hon. Mr. Haig:

Q. And that is the explanation of the wages keeping up.—A. Not the wages, the expenses. It was the application of material and work done as a deliberate policy.

Hon. Mr. HAIG: I understood you to say, Mr. Biggar, that the report for May must be in by the 20th of June.

Mr. BIGGAR: I did not say so. They do not do that.

Hon. Mr. HAIG: I thought the Act required it.

Right Hon. Mr. MEIGHEN: It was the 20th that we were given the other day.

Mr. BIGGAR: The figures are published on the 27th

Hon. Mr. HAIG: I will tell you what you can give us. You can give us the income of both roads right up to date.

Mr. BIGGAR: I think that is true.

Hon. Mr. HAIG: I know it is true, because Mr. Neal said so the other day, and the *Ottawa Journal* last Saturday published figures up to the 7th of June. I saw them myself, the gross revenues.

Mr. BIGGAR: We can get the information from the railway as far as there are figures available.

Now, I do not want to carry this examination with regard to this report any further than the committee thinks useful. The point to which I was directing my questions—which may not be a useful one at all—was really this: that having regard to the character of the grounds on which the report said the thing could not be worked, there was a distinction to be drawn between some—

[Mr. S. W. Fairweather.]

where about thirty, thirty-five, forty to forty-five million and the rest of the \$56,000,000. That is, quite apart from any direct effect upon the public by reason of line abandonments or reduction of services or anything of that kind, this document shows you could get these economies of somewhere between thirty and forty-five million, and it was only open to the objection that it destroyed competition and created a monopoly. Now, if the destruction of competition and the creation of a monopoly is an answer to any proposal for consolidation or unification, then we have been talking about it unnecessarily for six weeks.

Right Hon. Mr. MEIGHEN: We all know it is based on that. But your argument is that in the nature of things it is going to be subject to this sweeping remark at the end of the report, and therefore the report was just not academic.

Mr. BIGGAR: No. There were a great many items which could be carried out quite apart from any direct effect on the public, and it was for that reason I was going through the items.

Hon. Mr. HAIG: I think you have gone far enough. You have shown clearly that Sir Henry Thornton gave this statement to the public at the time through the press.

Mr. BIGGAR: And the only ground upon which he said it would not do was the ground of monopoly and the absence of competition. Sir Henry's remarks on the subject are printed in the Proceedings at page 1038, where he said:—

The solution sought—

This is reported stenographically.

The solution sought of the railway problem of Canada is obviously that which will result in a maximum of efficiency, that is to say, economy, and at the same time provide such transportation facilities as will permit communities in particular and the nation as a whole to progress without hindrance.

In pursuit of this objective, the amalgamation of the two trans-continental companies, namely, the Canadian Pacific and the Canadian National, has been discussed. Like most remedies, it has advantages and disadvantages, and a sound conclusion can only be reached by striking a balance between the two, not overlooking the chances of practical achievement.

Amalgamation under some unified form of administration will, in theory, produce the maximum of economies of which a material proportion will doubtless fructify. It has been estimated that these economies would yield a return of something like \$60,000,000 per annum, increasing progressively from the first year, and reaching the figure named perhaps at the expiration of a five-year period. Whether all of this sum can be salvaged by amalgamation is arguable, but whatever it may be it should not be ignored in the discussion, and it would represent after its full attainment a continuous and annual return.

Then the next two paragraphs deal with the question of politics, and I have already read them at an earlier stage of the proceedings. Then he goes on, after the difficulty of politics:—

This difficulty would of course be removed if the two railways were amalgamated under private ownership; but at once there is aroused in the minds of the citizens of our Dominion that fear which is quite justifiably displayed whenever a great and formidable monopoly appears—a fear which the activities of many monopolies in the past have justified. There will also be the criticism that with the removal of competition there is bound to be a deterioration in service and efficiency, irrespective of the desire and effort of the management to avoid such results.

In short, for a variety of reasons, of which two have been expressed, the amalgamation of the Canadian National and the Canadian Pacific would be definitely repugnant to the people of the Dominion in my judgment; and, apart from anything else, it becomes politically impracticable. I believe it must therefore be discarded as a solution.

Perhaps some of you would like to ask me some questions with respect to what I have said as to this suggested solution of the problem.

Lord Ashfield: Personally I would rather wait for a fuller statement.

Sir Henry Thornton: That is all I have to say at the moment on the subject of amalgamation.

And he really did not return to it subsequently.

By Hon. Mr. Gordon:

Q. In regard to what you said some time ago in reference to the loading of cars, and what you would do under a monopoly, I fear you were forgetting that in Canada now we have the Board of Railway Commissioners, and that they would not permit you, even under a monopoly, to do what you suggest. That is what they are there for, isn't it?—A. Then we would not get the economies.

Q. You would not?—A. Not if the Board would not permit me to do what I envisage.

Q. That is your answer?—A. Yes.

Right Hon. Mr. MEIGHEN: The point is, is it not, Mr. Biggar, that Sir Henry Thornton in the use of that second paragraph clearly gave the commission to understand that this estimate was based upon providing the Canadian people with the maximum of efficiency and service with the utmost economy, and at the same time providing such transportation facilities as would permit communities in particular and the nation as a whole to progress without hindrance. And while he said the public would have an aversion to monopoly, he did not intimate that it would have to be docile and helpless, and submit to inefficient service before this could be given effect to.

Mr. BIGGAR: I think that is quite right.

Hon. Mr. MURDOCK: Colonel Biggar has been for some time questioning this witness about a report which he tells us he prepared on the direction of Sir Henry Thornton for use before the Royal Commission in 1932. One of my colleagues here intimated a short time ago that there was no question of monopoly involved. Let us read the language on page 473.

Hon. Mr. HAIG: I never said that.

Hon. Mr. MURDOCK: I didn't say you did.

Some Hon. SENATORS: Oh, oh.

Hon. Mr. McRAE: I didn't say it either.

Hon. Mr. MURDOCK: I didn't say you did.

Some Hon. SENATORS: Oh, oh.

Hon. Mr. MURDOCK: It was Senator Black who mentioned the fact that—

Hon. Mr. BLACK: Put it right. I said "monopoly" was not there.

Hon. Mr. MURDOCK: Then you will pardon me for reading what I am going to read. This was prepared by Mr. Fairweather for Sir Henry Thornton. It is captioned, "Consolidation of Canadian Pacific Railway and Canadian National Railways," and the third paragraph reads—

Hon. Mr. HAIG: Mr. Biggar read that.

[Mr. S. W. Fairweather.]

Hon. Mr. MURDOCK: There is one sentence that was not read if my recollection is right, and I insist on the opportunity of reading it.

The economies which can be foreseen as a result of consolidation are undoubtedly large—proportionately larger perhaps in Canada than in most other countries, because time has not as yet justified the duplication of Canadian railway facilities by providing a compensating increase in population and traffic density. Much of the economy anticipated from consolidation can, however, only be effected by the resolute facing of a situation which requires sacrifices individually and collectively; for the economy, if it is to reach large proportions, will involve drastic abandonments of line, reduction in quantity and quality of service, particularly passenger service, and a considerable disturbance of the railway labour and material market.

Now, please note! Please note!

Canada must also be prepared to accept the risk attendant upon monopoly—the possibility of inadequate service, of inefficiency, of carelessness, and of political difficulties arising from the creation of a large group with a common interest.

There is a distinct reference to monopoly, and amalgamation under another name—"consolidation."

Hon. Mr. BLACK: I read that several times.

Hon. Mr. MURDOCK: That is why I could not understand why you said there was no question of monopoly.

Hon. Mr. BLACK: The word monopoly did not appear before the citation which you made.

Hon. Mr. DANDURAND: Has Mr. Fairweather still something to say?

The WITNESS: I have nothing to submit, sir.

The CHAIRMAN (Hon. Mr. Beaubien): Is that the evidence of the Canadian National?

Hon. Mr. HAIG: You don't want to go on with any further examination of that report? All right.

The CHAIRMAN (Hon. Mr. Beaubien): Is there any more evidence on the part of the Canadian National?

Mr. BIGGAR: That is all.

The CHAIRMAN (Hon. Mr. Beaubien): You have the two labour unions?

Mr. BIGGAR: Yes. And they will be here on Tuesday.

Hon. Mr. DANDURAND: I should like to ask Mr. Fairweather a question before we separate.

Q. Are you of opinion that the list has been submitted to us to-night, that list of possible economies under co-operation by the reduction in train mileage, by the abandonment of lines, and with regard to running rights, and in the handling of freight traffic by one company on behalf of the other, and by joint yards, stations and terminals, etc.—are you of opinion that these matters have been explored by the Co-operative Committee?—A. The answer to that, Senator, is that quite a number of them have been. For instance, the passenger train services have nearly all been explored, but it was a condition where we could not get agreement that prevented these things going ahead. They were explored, and they were generally agreed to as being duplicate and competitive and desirable to be eliminated, but we could not come to an arrangement satisfactory to both parties. Now, with regard to the line abandonments, all of these have either been studied—I think I am correct in this—all of these have either been studied or are in the course of study, and some have been agreed to. With

regard to the running rights that are referred to here, two of them have been studied rather inadequately—that is between Pembroke and North Bay, and between Kamloops and Hope—but I think they are worthy of additional study. With regard to the handling of freight traffic by one company on behalf of the other, hardly any of those items have been studied, except item A and in item A the suggestion is that it works so well with respect to grain that the Canadian National feels it should be broadened out to encompass all freight traffic and also that it should be extended to Vancouver instead of stopping at Kamloops, simply to increase the economy. With regard to the joint yards and terminals, the only one that has been studied to my knowledge is the Lakehead terminal; that has been studied inadequately also. The joint engine houses at Ottawa and London have both been studied, but nothing has emerged. With regard to telegraphs, that has been studied up to a point where the Montreal Telegraphs matter was a block; and on the other side, co-operation has also been studied, but it requires no explanation. The Pacific Coast Steamships have been studied, but item B to my knowledge has not been studied. The joint freight services on the Great Lakes have not been studied.

By the Chairman (Hon. Mr. Beaubien):

Q. The economies that you have on that list have, I suppose, been covered by the \$10,000,000 limit that you have placed on possible retrenchment in the future? They are all comprised in that, I suppose?—A. Yes. And with your permission, sir, I would like to say a word on that \$10,000,000.

Q. Did you give an answer to my question?—A. Yes, sir. I said, Yes.

Q. Do I understand that these would go beyond the \$10,000,000 limit of retrenchment?—A. No.

Q. They would all be covered by the \$10,000,000?—A. I would say so.

Q. Now, will you continue with your answer?—A. I only have a word to say, sir. I tried to make it perfectly plain in my evidence that this \$10,000,000 was given out as one of those figures that—well, it gives point to an idea, sir, but it could not possibly be considered as exhaustive. I said that that was the probable realisable economy under present depressed traffic conditions, without incurring any large capital expenditure. I said that that economy would increase as traffic increased and the opportunity was widened, as traffic increased, and that when capital funds became available there were certain other projects that could be made effective which would yield additional economy. I only mention that, sir, because at various times I have heard the \$10,000,000 quoted as being a top figure. It was not a top figure under all conditions. It was my estimate of a top figure under depressed conditions of traffic.

By Mr. Biggar:

Q. But you are a little responsible yourself for the use of that expression "top figure," because you said, at page 196, in answer to a question put to you by Senator Dandurand:—

Under the supervision of the Railway Board,—I think that at the present basis of traffic they might be expected to reach a top figure of not exceeding \$10,000,000 a year.

A. And I am not qualifying that. I am not quarrelling with that, sir, but I simply want to make it perfectly plain that it was a top figure under present depressed conditions of traffic.

By the Chairman (Hon. Mr. Beaubien):

Q. If conditions do not improve we cannot expect more than \$10,000,000 retrenchment?—A. Not unless you undertake to do things that in my opinion are not in the public interest.

[Mr. S. W. Fairweather.]

By Hon. Mr. Dandurand:

Q. With regard to the list, which is given to be taken as representative but not exhaustive, referring to elimination of duplicate passenger train service, Toronto-Hamilton-Windsor, etc., containing 11 items of estimated reduction in train mileage, do I understand that these reductions would be covered by pooling arrangements?—A. Yes, sir, certainly they could be, in my opinion.

Hon. Mr. ROBINSON: I notice that the staffs of both railroads are fairly optimistic that there is going to be an improvement in railroad conditions in the future. My idea is that they should not be too optimistic. I have a feeling that conditions in this world are changing, and that the railways have to plan for the worst.

The CHAIRMAN (Hon. Mr. Beaubien): That is a warning to them.

The CHAIRMAN (Right Hon. Mr. Graham): You will never build up a country by pessimism. You have to have some faith in the country, or else get out of it.

The CHAIRMAN (Hon. Mr. Beaubien): Now, what witnesses remain to be heard?

Mr. BIGGAR: There are two representatives of railway unions who desire to be heard and will be ready to attend on Wednesday. They will occupy probably two hours or perhaps a little more. Then there is a possibility that there may be one or two quite short points on which some of the witnesses who have been heard on behalf of the Canadian Pacific Railway may desire to point out mistakes into which they think the Canadian National has fallen. I am told that the Canadian Pacific witnesses do not want to rediscuss these things at all; they are quite satisfied to let the evidence lie where it is, on the footing that we cannot discuss these technical things here. But there may be one or two points they may wish to take up.

Hon. Mr. HORSEY: About how long would they be?

Mr. BIGGAR: Probably half an hour.

Hon. Mr. BLACK: I move that we adjourn, to meet again to hear the labour representatives.

The CHAIRMAN (Hon. Mr. Beaubien): What about communications? And requests from people who want to be heard? Do you not think we ought to submit those to the Committee, Mr. Biggar?

Mr. BIGGAR: I will do that on Tuesday. I was going to suggest that it would not be worth while to have Sir Edward Beatty here on Tuesday, that we might use up whatever spare time we had left on Tuesday with these communications, and so on, and say Wednesday morning for Sir Edward Beatty.

Hon. Mr. ROBINSON: Do you think we can finish on Wednesday?

Mr. BIGGAR: I think on Wednesday morning.

The CHAIRMAN (Hon. Mr. Beaubien): Gentlemen, is it agreed that we should meet in this Committee, on Tuesday at 11 a.m.?

Some Hon. SENATORS: Carried.

The Committee adjourned at 10.45 p.m. until Tuesday, June 21, 1938, at 11 a.m.

EXHIBIT No 94

LIST OF CO-OPERATIVE POSSIBILITIES WHICH SHOULD BE STUDIED AND WHICH, UNDER A POLICY OF ENFORCED CO-OPERATION, MIGHT BE EXPECTED TO PRODUCE SUBSTANTIAL ECONOMIES WITHOUT SERIOUS REDUCTION IN PUBLIC SERVICES.

Submitted by R. C. Vaughan

The following list is to be taken as representative but is not exhaustive:—

1. *Elimination of Duplicate Competitive Passenger Train Service—*

	Estimated Reduction in Train Mileage
Toronto-Hamilton-Windsor	565,678
Toronto-Hamilton	54,080
Montreal Suburban	148,000
Ottawa-Pembroke	103,000
St. Therese-St. Eustache	8,000
Regina-Saskatoon-Prince Albert	214,000
Winnipeg-Regina	190,000
Saskatoon-Edmonton	230,368
Regina-Weyburn	44,000
Winnipeg-Port Arthur	18,000
Transcontinental, East of Winnipeg	892,181
	<hr/> 2,467,307

In addition to the above there are possibilities of economy in connection with:—

Reduction in duplicate off-line and uptown soliciting offices.

Joint advertising.

Joint passenger traffic offices at off-line points in the United States.

2. *Line Abandonments—*

Province	Between	Railway	Approx. Mileage
N.S.	Middleton Jct.-Granville Centre	C.N.	22
Que.	Ste. Therese-St. Eustache	C.P.	6
"	St. Canut-Cushing Jct.	C.N.	23
Ont.	Arnprior-Renfrew	C.N.	17
"	Payne (Renfrew)-Eganville	C.N.	22
"	Glen Tay-Whitby	C.P.	58
"	Lindsay-Dancel	C.P.	17
"	Lindsay-Coldwater	C.P.	57
"	Woodstock-Ringold	C.P.	58
"	Key Jct.-Key Harbour	C.N.	6
"	Linwood-Listowel	C.P.	17
"	Bala-Wanup	C.N.	135
Man.	Rugby Jct.-Morris	C.P.	40
"	Portage-Delta	C.N.	16
"	Oakland-Cawdor	C.N.	12
"	Muir-Gladstone	C.N.	12
"	Hallboro-Beulah	C.N.	55
"	McGregor-Varcoe	C.P.	56
"	Hamiota-Miniota	C.P.	20
"	Brandon Jct.-Carberry Jct.	C.N.	22
"	Louise-Delorraine	C.N.	56
Sask.	Wolseley-Reston	C.P.	122
"	Perdue-Wilkie	C.P.	59
Alta.	Bruderheim-S. Edmonton	C.P.	34
"	Edmonton-Kerensky	N.A.R.	45
"	Carbondale-Morinville	N.A.R.	5
"	Warden-Alix	C.N.	9
"	Red Deer Jct.-Rocky Mtn. Hse.	C.N. & C.P.	65
"	Langdon-Beiseker	C.N. & C.P.	33
			<hr/> 1,129

3. *Running Rights to Effect Economy—*

(a) Running rights over the Central Vermont between St. Johns, Que., and White River Junction, Vermont, to give the Canadian Pacific an opportunity to effect an economy in train operation in making connection with Boston & Maine at White River Junction as a substitute for Wells River.

(b) Running rights over the Canadian National from Sherbrooke to allow the Canadian Pacific to connect with the Maine Central and Boston & Maine in New England territory and effect an economy in operation as compared with route to St. Johnsbury.

(c) The co-operative use of the lines between Kamloops and Hope, B.C., to enable the Canadian Pacific to reduce operating expenses by the use of the more favourable grades on the Canadian National in freight service and to enable the Canadian National to use the Canadian Pacific track in passenger service.

(d) Canadian Pacific to have running rights over the Canadian National line from North Bay to Pembroke for freight service thereby avoiding the adverse grades on the Canadian Pacific lines.

(e) Canadian Pacific to have running rights over the Canadian National from Nipigon to Current Junction for freight service to avoid adverse grades on the Canadian Pacific and in addition the possibility of abandonment of one of the lines.

(f) Running rights over the Canadian National from Twin City Junction to James for freight services to avoid the adverse grades westbound on the Canadian Pacific line.

4. *Handling of Freight Traffic by one Company on Behalf of the Other—*

(a) The extension of the present co-operative arrangement for movement of grain between Edmonton and Kamloops and between Calgary and Kamloops to cover all freight traffic and the extension of this to Vancouver instead of Kamloops.

(b) A similar arrangement with regard to outbound traffic from the Okanagan Valley to Vancouver and points on the prairie.

(c) On the prairies generally an exchange of loaded cars from branch lines at the most conveniently located main line for haulage to and from Winnipeg.

(d) An arrangement between Winnipeg and the Head of the Lakes to economize train mileage by filling out trains of one company with overflow traffic for the other.

(e) A similar arrangement between Winnipeg-Capreol-North Bay for trans-continental freight traffic.

5. *Joint Yards, Stations and Terminals—*

(a) Vancouver: Joint use of terminal consisting of Canadian National, Canadian Pacific and Harbour Commissioners trackage.

(b) Edmonton: Joint terminal, passenger and freight facilities.

(c) Calgary: Joint passenger and freight facilities.

(d) Saskatoon: Joint station facilities.

(e) Brandon: Joint facilities.

(f) Lake Head: Joint terminal.

(g) Joint passenger and freight facilities in the larger centres, such as Winnipeg, Toronto, Montreal, and at other points, might be worthy of study when capital funds for rearrangement and improvement of existing facilities are available.

6. *Joint Enginehouses—*

At Ottawa, Ont., and London, Ont., and other points, in addition to the possibilities at the suggested joint terminals.

7. *Telegraphs*—

Consolidation of the Telegraphs if the difficulties in connection with the Montreal Telegraph Agreement can be satisfactorily adjusted or, failing that, co-operation by the elimination of duplicate offices and duplicate services as far as possible.

8. *Pacific Coast Steamships*—

(a) Co-operation in services, and particularly co-operation to avoid future capital expenditures.

(b) Possible use by the Canadian Pacific Coast Steamships of Canadian National dry-dock at Prince Rupert.

9. *Joint Freight Services on the Great Lakes*—

Joint freight services on the Great Lakes connecting with Milwaukee and Chicago.

It is impossible at this time to estimate the economies from these various projects but it would reach a substantial volume even at the present depressed level of traffic. With increase in traffic the economies would, generally speaking, tend to increase and the field for further economies would widen. In addition, when Capital funds became available for larger co-operative undertakings, the economies would also be increased.

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(THE SENATE OF CANADA)

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PROCEEDINGS
OF THE
SPECIAL COMMITTEE



Appointed to

ENQUIRE INTO AND REPORT UPON THE BEST MEANS OF RELIEVING THE
COUNTRY FROM ITS EXTREMELY SERIOUS RAILWAY CONDITION
AND FINANCIAL BURDEN CONSEQUENT THERETO

No. 22

The Right Honourable George P. Graham, P.C., and
the Honourable C. P. Beaubien, K.C.,
Joint Chairmen

WITNESSES:

- Mr. W. L. Best, Secretary, Dominion Joint Legislative Committee of the Railway Transportation Brotherhoods.
- Mr. A. R. Mosher, President, Canadian Brotherhood of Railway Employees.

EXHIBIT:

- No. 95. Statement of Railways Acquired by the Dominion since 1905, and comparative analysis of C.N. Rys. debt to the public and the Government.

ORDER of Appointment

(Extracts from the Minutes of Proceedings of the Senate for March 30, 1938)

Resolved,—That a Committee of the Senate be appointed to enquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, with power to send for persons, papers and records, and that the said Committee consist of twenty Senators.

Ordered that the said Special Committee be composed of the Honourable Senators Beaubien, Black, Buchanan, Calder, Cantley, Coté, Dandurand, Graham, Haig, Hugessen, Horsey, Jones, Hardy, McRae, Meighen, Murdock, Parent, Robinson, Sharpe, and Sinclair.

MINUTES OF EVIDENCE

THE SENATE,

TUESDAY, June 21, 1938.

The Special Committee appointed to inquire into and report upon the best means of relieving the country from its extremely serious railway conditions and financial burden consequent thereto, met this day at 11 a.m.

Right Hon. George P. Graham and Hon. C. P. Beaubien, Joint Chairmen.

Col. O. M. Biggar, K.C., Counsel to the committee.

The CHAIRMAN (Right Hon. Mr. Graham): All right, gentlemen.

Hon. Mr. DANDURAND: Mr. Chairman, I should like to say one word of explanation. The last time we met there was a suggestion that Judge Fullerton be called to give his opinion, and I said he had expressed the opinion that the Canadian Pacific was not a very willing partner in co-operation. There seemed to be some question of that, and I was wondering where I had received that impression, so I looked up his statement, and I find that it was not in exactly those terms. At page 34 of the record of the Standing Committee on Railways, Telegraphs and Harbours, *re* Bill 21, an Act to amend the Canadian National-Canadian Pacific Act, 1933, he said:—

There are many difficulties in the bringing about of co-operation. For instance, I mentioned labour. Labour presents a very important difficulty. The officers are not inclined to turn labour out if they can prevent themselves from doing so. And I said there was a lack of co-operation. I still say so. I feel that if the right spirit were there, co-operation could be carried out much more rapidly.

And later he said that he had complained to the Joint Executive Committee of dilatoriness in reaching results, and had suggested that the Joint Headquarters Committee should be abolished as being a useless wheel, and that the Joint Executive Committee, when they had approved of a report of the Joint Co-operative Committee should return it to the Joint Co-operative Committee. So I desire to qualify the statement I made. Judge Fullerton had felt that there was a lack of will to co-operate, but his statement covers the committees on the Canadian National as well as on the Canadian Pacific.

Right Hon. Mr. MEIGHEN: His criticism applied equally to both sides.

The CHAIRMAN (Right Hon. Mr. Graham): Are you ready, Mr. Biggar?

Mr. BIGGAR: Before we go on with the witnesses, I may say that Senator Murdock asked me immediately after the adjournment last Thursday to get some figures. These I have got as far as they can be got. The request was for the name, location and mileage of all units, branches or portions of railways which have been acquired by the Government since the year 1905, giving the name of the unit of railway, portion of railway line or branch taken over, the date such portion of railway was taken over, the cost in money to the Government on account of such transaction, and the amount of money expended by the Government to place such unit of railway, portion of railway or branch line in proper shape to operate trains over after being acquired by the Government; and a statement showing the total amount of money for which the Government is liable still for stocks, bonds and other securities, on account of the acquisition of each such railway mileage taken over or purchased by the Government since the year 1905.

With the committee's approval I will put in the figures obtained.

Hon. Mr. HAIG: Read them. I think that is important.

Mr. BIGGAR: They are very elaborate. They are given in two statements, which will be marked Exhibit No. 95. I think they might go together, because one refers to the other.

(Mr. Biggar read the statements composing Exhibit No. 95.)

Right Hon. Mr. MEIGHEN: How much is in the footnote?

Mr. BIGGAR: The equity is \$675,000,000; but as a matter of fact that does not represent cash because it is included in that \$100,000,000 of Canadian Northern Railway stock, which was acquired for \$10,000,000; and is \$180,000,000 of Canadian National Railway stock, which was acquired by the Government without cash consideration, and there are capital expenditures on Canadian Government railways of \$418,000,000, which includes the Hudson Bay Railway at that time. The last figure, \$404,000,000, is really all that represents Government money

Right Hon. Mr. MEIGHEN: The Hudson Bay Railway is in the footnote.

Mr. BIGGAR: Yes, as \$14,000,000.

Hon. Mr. HAIG: I thought it was in the ditch.

Hon. Mr. DANDURAND: And the common stock of the Canadian Northern.

Right Hon. Mr. MEIGHEN: Which cost nearly nothing.

Hon. Mr. GORDON: Don't you think, Mr. Biggar, it would be interesting to the committee to show the amount written off under that authority?

Right Hon. Mr. MEIGHEN: He has just done that.

Hon. Mr. DANDURAND: There was nothing written off.

Mr. BIGGAR: It was simply carrying the equity into the footnote. The sum of \$675,000,000 was taken out of the balance sheet as representing what the equity was.

Hon. Mr. GORDON: What do you say was written off?

Mr. BIGGAR: There was not really anything written off. It was just taken out of the balance sheet. I am afraid I am not an accountant, but that \$675,000,000 now represents the proprietors' equity and, as I understand the position, it is not charged as a liability in the balance sheet.

The CHAIRMAN (Right Hon. Mr. Graham): Correct.

Hon. Mr. DANDURAND: We can find that in the accounts.

Mr. BIGGAR: Yes.

Hon. Mr. HAIG: Did you get those figures for me for May?

Mr. BIGGAR: I understand there will be none available until the 27th.

Hon. Mr. DANDURAND: We shall be here in July.

Hon. Mr. HAIG: Sure. I am not a bit worried.

Mr. BIGGAR: The committee decided this morning to hear representatives of labour organizations, and there are two gentlemen present to make submissions. The first of the submissions is to be made by Mr. William L. Best, Secretary of the Joint Legislative Committee and Vice-president, National Representative, of the Brotherhood of Locomotive Firemen and Enginemen. The submission now before the committee in print is by the Dominion Joint Legislative Committee of the Railway Transportation Brotherhoods and the Trades and Labour Congress of Canada. Members of the committee will find in each copy at page 42 a list of the labour organizations on whose behalf the submission is made, those organizations being stated to have a membership of about 175,000.

Right Hon. Mr. MEIGHEN: What other organization is to be heard?

Mr. BIGGAR: The Canadian Federation of Railway Employees. That submission will be made by Mr. Mosher.

The CHAIRMAN (Hon. Mr. Beaubien): This is the international organization?

Mr. BIGGAR: Yes. Are the committee ready to hear Mr. Best?

The CHAIRMAN (Hon. Mr. Beaubien): Are you ready for Mr. Best?

Some Hon. MEMBERS: Carried.

Mr. W. L. BEST was called as a witness and took the stand.

The WITNESS: Honourable gentlemen:

I. INTRODUCTION

It is our desire at the outset to assure your committee, Parliament and representatives of the railways of the deep concern of labour for complete investigation of our transportation problem, primarily in order to dispel the growing sense of insecurity created by the publicity given certain proposals for a solution. As representatives of the long-established labour organizations, this submission may be accepted as expressing the views of the vast majority of Canadian railway workers. The welfare of this large group of our citizens and their dependents is definitely bound up with the destiny of our railway industry and the progress of the communities which it serves. Likewise because of the peculiar tasks of railways workers, fraught with danger and heavy individual responsibilities demanding initiative, the efficiency of service and cost of operation depends largely upon their loyalty and contentment. It is this interrelation of employee, railway and public welfare aid our interest in and appreciation of that relation which, as citizens and taxpayers, moves us to appear before you to-day.

In submitting our views touching the subject of your inquiry, it seems quite unnecessary to attempt a repetition of the historic events and circumstances from which has emerged out present steam railway enterprise, constituting as it does the most efficient, safe and only reliable means of Canadian transportation throughout every day of the year. Nor is it our desire to make irrelevant references to the financial burden of the railways which, some have contended, can only be solved by amalgamation or unification. Technical phases of that subject have been dealt with exhaustively by previous witnesses speaking for the interests they represent. If we are forced to take issue with those who have persistently advocated unified management of our two major railways as the only effective solution to relieve Canada from its financial burden, we believe that the equally frank expression of our views will, in no way, mar the harmonious relations which, for so many years, have existed between railway management and workers.

Whilst we are directly interested with other taxpayers in the financial condition of the railways, we frankly state that our primary concern is for the welfare and economic security of railway workers and their families who would be adversely affected by unification. Moreover, we are convinced that the thousands of citizens in communities which have been built up along the railways share with us the deep concern of their fellow citizens whose means of livelihood would be jeopardized and their future welfare determined by economic expediency rather than upon humanitarian considerations. Therefore, we approach this subject, not only on behalf of railway labour, but as representative citizens having a keen sense of our responsibility to the people of Canada as a whole and respectfully urge that in the search for some solution of our railway problem the welfare and interest of the human element in the enterprise be not sacrificed in, what we believe to be, a futile hope that such sacrifice will solve the financial condition of Canada's railways. It is our considered judgment that there are other and more practical remedial measures to be taken and means to be

employed to cope with this and other related problems, even if they challenge greater courage than has yet been shown and require more effective co-operation as between Provincial and Federal Governments. With those considerations as one of the primary objects in this submission, we express the hope that our comments and recommendations may be accepted as a sincere desire to be helpful in formulating such measures as will have for their chief purpose the greatest good to the greatest number of our Canadian people.

II. LABOUR'S VIEWS REGARDING CANADIAN NATIONAL-CANADIAN PACIFIC ACT, 1933

Before outlining the reasons for our conclusions and recommendations, it is our desire to refer briefly to the legislation around which has centered the major discussions during the hearings of this committee, namely, the Canadian National-Canadian Pacific Act, 1933, and to call attention to the views expressed on behalf of railway labour when consideration was given to the Report of the Royal Commission on Transportation which that Act implemented. Although several Honourable Members of this committee may have had an opportunity of perusing "The Memorandum of Comments and Recommendations," submitted on behalf of railway labour in November, 1932, it seems appropriate that a short resumé be given at this time.

1. SUMMARY OF PRINCIPLES SUPPORTING LABOUR'S RECOMMENDATIONS

(1) That, in the search for a solution of Canada's railway problem, the welfare and interest of the human element in the industry be not sacrificed in the vain hope that such sacrifice will solve the financial difficulties of Canada's railways and Government;

(2) that, in the interest of preserving harmony and good-will as between railway employees, management and the Government, the long-established and successful labour relations prevailing in railway industry be not disturbed; and

(3) that, given the assurance that the interests of the employees will be adequately protected and labour relations not disturbed, railway labour stands ready to co-operate to effect an orderly and humane solution of Canada's railway difficulties.

Based on these three main principles, it was respectfully urged:

(4) That the identity of the Canadian National and the Canadian Pacific Railways be maintained, and the Canadian National continue under Government control;

(5) that in the constitution of the C.N.R. Directorate there should be at least five appointed by the Government, a majority of them to govern decisions of the Board; also that one of such Directors be a representative of organized labour;

(6) that the capital structure of the Canadian National be written down;

(7) that in the consideration of co-operative measures for the purpose of eliminating wasteful competition the railways be required:

(a) To give sixty days' notice to representatives of the employees directly concerned of contemplated measures;

(b) The right and opportunity to appear before joint conferences between the railways considering co-operative measures; and

(c) To provide that all employees who through co-operative measures would be compelled to transfer to other localities to hold their employment and thereby obliged to sacrifice their homes, should be adequately compensated by the employing company.

[Mr. W. L. Best.]

(8) That in the event of some tribunal being necessary to arbitrate with respect to proposed co-operative measures in dispute, the Board of Railway Commissioners be empowered to discharge that function; and

(9) that a conference of Provincial highway authorities be called under Federal auspices to prepare a recommended code to regulate motor vehicle transport for adoption by the various Provincial authorities concerned, and that railway labour through its accredited representatives be enabled to participate.

2. LABOUR'S RECOMMENDATIONS IMPLEMENTED AND THE RESULTS

Although the foregoing recommendations were not all accepted by the Government of the day and incorporated in the Bill to implement the Duff Report, those which were adopted, together with some results therefrom, may be reviewed as follows:—

(1) *Labour Relations.*—The long-established labour relations through collective bargaining have been maintained. This has been due chiefly to the efficient organization of railway labour together with the co-operation of railway managements. That these labour relations were recognized as an important factor in the successful operation of the railways, particularly under the co-operative measures contemplated by Section 16 of the Act, is indicated by the following amendments, one of which forms the last sentence to subsection (1) of Section 16, and the other subsection (3) thereof:

They are further directed that whenever they shall so agree they shall endeavour to provide through negotiations with the representatives of the employees affected, as part of such measure, plan or arrangement or otherwise, for a fair and reasonable apportionment as between the employees of National Railways and Pacific Railways, respectively, of such employment as may be incident to the operation of such measure, plan or arrangement.

(3) The National Company and the Pacific Company for and on behalf as aforesaid are directed to endeavour to provide that any new company, created as in subsection two of this section referred to, shall give preference for work to employees in any services or on any works taken over by such new company.

It is our understanding that the foregoing clauses were designed to ensure protection to labour and that, concurrently with and as a part of such measure, plan or arrangement for the purpose of effecting economies, the railway companies should endeavour to provide through negotiations with the representatives of the employees affected for a fair and reasonable apportionment of such employment as might be incident to the operation of such measure, plan or arrangement. In other words, it seems quite clear that whilst the first part of sub-section (1) provides a statutory direction to the railways to endeavour to agree upon co-operative plans or arrangements for the purpose of effecting economies, the last part of the subsection also provides a statutory direction to the railways, as a part of such plan or arrangement, to endeavour to provide for a fair and reasonable apportionment of the employment between the employees of the two railways making such plan or arrangement. Had our request for sixty days' notice to representatives of the employees of contemplated measures, and their right to appear before joint committees of the railway officers when considering such measures, together with definite provision for displacement compensation been conceded by a further amendment to the Act, the employees might have entertained a reasonable hope that their representatives, at least, would have been given reasonable advance notice of contemplated measures.

However, five months after the Act was assented to and not having any intimation from the railways as to what co-operative plans or arrangements were under consideration, the Joint Conference Committee of the employees communicated with the railway managements under date of October 28, 1933, calling attention to the provisions of Section 16 above referred to. To this letter, a joint reply was received from Mr. S. J. Hungerford, Acting President, C.N.R., and Mr. Grant Hall, Vice-President, C.P.R., under date of November 24, 1933, advising that the provisions of the Act were known to them and that the railways would be governed thereby.

Under date of February 22, 1934, the Chairmen of the respective General Committees of the running trades received a telegram advising that a study of further pooling services had been made and agreed to and that when approved by the Board of Railway Commissioners, the Chairmen would be notified of the changes in train service. Under date of February 23, 1934, the telegrams were supplemented by letter advising that the proposed changes in train service had been approved by the Board of Railway Commissioners, and that effective March 11, the pooling of through passenger traffic would be extended between Montreal and Quebec; between Montreal and Toronto; and between Ottawa and Toronto; also advising that certain duplicate through trains in pool areas would be cancelled. At the instance of the employees subsequent communications and conferences were had between the General Chairmen and the Canadian Pacific Railway officers, but without satisfactory results.

The Conference Committee of the employees of both railways subsequently conferred with Hon. R. J. Manion, Minister of Railways and Canals on March 9, 1934. This conference was confirmed by letter to the Minister the following day, wherein the employees' understanding of the provisions of Section 16 was outlined. In reply the Minister promised to place our representations before the management of the two railways. Under date of March 21, the Minister communicated with us, attaching a copy of a letter from Mr. C. P. Fullerton, Chairman of the Board of Trustees of the Canadian National Railways, wherein he stated—"Our officers are quite in accord with the view that the employees concerned should have the earliest possible advance notice of co-operative changes affecting their employment and particularly when the changes involve a distribution of work between the employees of the two railways." Mr. Fullerton further stated—"Our officers are quite prepared to have, and in fact think it desirable that there should be a joint meeting between officers of the two railways for the purpose of having a general discussion of the principles which it is desirable to follow in dealing with various co-operative measures." He further suggested that—"Following such a meeting, it might be possible to arrange for a small joint special committee of the employees' representatives to be constituted to meet with the railways' joint co-operative committee, when required. Such a committee, say of three, could be given advance information and consulted to an extent which would not be possible with a larger body."

It was not until June 12, 1934, that the Minister was able to send us a copy of a reply from the President of the Canadian Pacific Railway, dated June 9. After advising that it was thought wise to withhold the final reply until the whole question could be considered by the Joint Executive Committee of the two railway companies, the C.P.R. President's letter concluded as follows:—

The matter was discussed at a recent meeting of the committee, and the conclusion reached was that in order to give effect to the spirit and intent of Section 16 (1) of the Act, negotiations with representatives of the employees as to the apportionment as between the employees of the two companies respectively of such employment as may be incidental to the operation of any co-operative measure, should follow agreement between the companies as to such co-operative measure, and approval thereof by the Board of Railway Commissioners, in cases in which such approval is required.

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(For the information of your committee the correspondence referred to are shown as Appendix "A" of this submission).

It is evident from the foregoing that the direction given the railways by the last part of subsection (1) of Section 16 with respect to consultation with employees has not been fully complied with. The experience thus gained in the pooling above referred to, which deprived over one hundred and thirty-five employees their means of livelihood without compensation of any kind, has caused them to view with grave apprehension all proposals which are calculated to further increase unemployment.

(2) *Identity of Railways.*—Pursuant to the recommendation of the Duff Commission's Report, provision for maintaining the identity of the Canadian National Railways and the Canadian Pacific Railway is found in Section 27 of the Canadian National-Canadian Pacific Act, reading:—

27. Nothing in this Act shall be deemed to authorize the amalgamation of any railway company which is comprised in National Railways with any railway company which is comprised in Pacific Railways nor to authorize the unified management and control of the Railway System which forms part of National Railways with the Railway System which forms part of Pacific Railways.

Railway labour is unanimous in its desire that the spirit and letter of that provision be maintained. Section 27 clearly implements the declaration made by the Minister of Railways and Canals on the second reading of the Bill on March 7, 1933, when he stated:—

There is nothing in it to cause anyone to feel that it may lead to the amalgamation of the two great railway systems of Canada, because the whole trend and spirit of the bill, as well as every clause and letter of it point to co-operation, and co-operation means and can only mean, the working together of the two parties to an understanding, and in this case the two parties are the Canadian National Railways and the Canadian Pacific Railway.

(3) *Labour Representation on Board.*—Implementing the request of railway labour, the Board of Directors of the Canadian National Railways as at present constituted of seven members, includes a representative of the railway employees appointed on nomination of their General Chairmen on the property.

(4) *Tribunal of Last Resort.*—The fact that the arbitral provisions of the Act have not been utilized and the tribunal called upon to function in respect of co-operative measures in dispute, we have no criticism to offer as to the fundamental soundness of the Board of Railway Commissioners being clothed with full authority to determine and finally decide what steam railway service should be maintained as a public necessity and convenience.

(5) *Proposed Highway Conference.*—The proposal of railway labour to the Senate Committee on November 24, 1932, that a conference of provincial highway authorities be called under Federal auspices to prepare a recommended code to regulate motor vehicle transport, coincides with the recommendation of the Duff Commission on this subject. Had the proposal been given complete co-operation it might have produced more substantial results. However, the extent of co-operation given by Federal and Provincial authorities and others should be recognized as of considerable value and a brief historic review thereof seems appropriate at this time.

A Federal-Provincial Conference was held in Ottawa, January 17-19, 1933. Growing out of the consideration given to Item 7 of the Agenda—"The regulation of truck and motor bus services with inter-provincial and national rail

transportation facilities," it was agreed that the Minister of Railways should submit to the Provinces a questionnaire dealing with matters relating to truck and motor bus services and that after assembly and study of the information obtained, a conference of the appropriate officers of the Dominion and the Provinces should be called to consider the whole situation. It was further agreed that the Dominion Statistician should assist the Minister of Railways in preparing the questionnaire.

Subsequently, a Federal inter-Provincial Conference was held in Ottawa commencing Thursday, December 14, 1933. The Federal Government was represented by the Minister of Railways and Canals, the Deputy Minister and other officers of his Department. The various Provinces were represented by officers of their Highways Departments and some by their Premiers or other Ministers. On behalf of railway labour, there was presented to this conference a "Memorandum dealing with the Control and Regulation of Competitive Transport Agencies." The Minister of Railways and Canals undertook to have a copy distributed to each delegate attending the conference. The recommendations included in that Memorandum submitted on behalf of labour follow this submission as Appendix "B."

The consideration given by the Conference to the subject of highway competition resulted in some nine resolutions being adopted. These cover a number of important phases of highway operation, and form part of this submission as Appendix "C." However, special reference may be made here to the last two, as follows:

"8. This conference is of opinion that a licence should only be granted to commercial carriers of passenger and freight where it can be proved to the satisfaction of the licensing authority that the service proposed to be rendered is in the public interest."

"9. This conference believes that a Dominion inter-Provincial Conference to discuss transportation matters should be held at least once every year."

Another Dominion-Provincial Conference was held in Ottawa, December 9-13, under the Chairmanship of the present Prime Minister, Right Hon. Wm. L. Mackenzie King. The subject of "transportation" was dealt with by a committee under the Chairmanship of the Minister of Transport.

By Right Hon. Mr. Meighen:

Q. You do not give the year of that.—A. That was 1935. It appears in the appendix, I think.

The WITNESS (reading): Resulting from the consideration given the subject, it was resolved to submit eleven recommendations which referred only to vehicles used for the transportation of passengers or freight for hire and are specifically licensed by the Province for highway transport; taxi and delivery vehicles not being included. These eleven recommendations follow this submission as Appendix "D." The eleventh recommendation urges that the principle of securing basic uniformity and comparability in the matter of road transport statistics be endorsed by the conference, and that instructions be issued to the Dominion Bureau of Statistics to proceed with the discussion of a detailed plan with the Provincial authorities to the end of meeting what has become both a provincial and *national necessity*.

The foregoing summarizes the results of the Conferences referred to, the co-operative effort shown and mutual agreement reached directly bearing upon the important subject of highway regulation, but their full value can only be realized when those recommendations upon which agreement has been reached are implemented by the necessary legislation, and orderly regulations made effective.

[Mr. W. L. Best.]

III. CONTRIBUTING FACTORS TO RAILWAY SITUATION

That there can be no practical and humane solution of Canada's railway problem without due consideration of all contributing factors should be readily conceded. Having regard to the importance of reliable transport services to trade and commerce, general public welfare and national development, the whole transportation structure in its broadest aspects must be considered in the light of those objectives. It was the consideration of the broader aspects which found expression in the statement of the late Sir Henry Thornton to the Railway Committee of the House of Commons, in 1931, from which emanated the subsequent inquiry, when he recommended—"that a Commission be appointed for the purpose of considering *the whole question of Canadian transportation.*" Based on that recommendation, clause 2 of the terms of reference to the Duff Commission directed:

2. That the Commissioners inquire into *the whole problem of transportation in Canada*, particularly in relation to railways, shipping and communication facilities therein, having regard to present conditions and the probable developments of the country.

1. *Competitive Transport Agencies.*—The importance which the Duff Commission attached to the need for effective regulation of competitive transport agencies for the betterment of the service as a whole and for the relief of the railways is indicated by the comprehensive manner in which it dealt with the subject commencing with Chapter IV of its Report. Part III of that chapter deals exhaustively with road transport, aviation and waterways, emphasizing the disastrous effect which those unregulated competitive means of transport have upon the financial success of the steam railways.

(a) Highway transport regulation is emphasized in that report as of paramount importance. Whilst it recognizes that the development of highway transport has brought about a lasting revolution in the travel habits of the people and in many respects has wrought a transformation in the economic and social life of the country; has given facilities for transport never before enjoyed by the general public and has done much to create and stimulate travel, it has also effected the diversion of a considerable volume of traffic from the railways. The report declares that in seeking a permanent solution of the railway problem in Canada, this comparatively new and convenient form of transportation and its effect upon the railways *cannot be ignored*, and a fair basis of competition between these two agencies, in so far as they are acting as common carriers of either passengers or freight, *must be found*, not only in the interests of the railways, but also in the interests of the public and trade and industry generally; and that unfair and unregulated competition between railways and road operators is damaging, resulting as it does in waste and duplication of effort. The commission recognized that there is need for regulating road motor services and for equalizing the conditions under which highway and rail services are provided; especially is this need recognized when regard is had to the extent of the regulations imposed upon the railways, to the almost entire absence of regulations of highway operators, particularly those operating freight services, and to the fact that it has been the practice to establish railway freight rates on the assumption that transportation of freight was to all intents and purposes the monopoly of the railways. Therefore, having regard to the actual cost of operation, tariffs and tolls have been established on a comparatively high scale for the carriage of short distance package freight and for express services, and upon a lower and less remunerative scale for the transportation of heavy and bulky commodities which are generally conveyed over long distances. If the railways lost a large part of their profitable short distance traffic to the highway vehicle, a readjustment of the whole freight rate structure may be necessary, with a possible increase in the rates charged for the long distance and heavy freight traffic.

By Right Hon. Mr. Meighen:

Q. Is that from the report?—A. That is practically the language, Senator Meighen. It is condensed, of course, but that is the sense.

The WITNESS (reading):

The commission expresses the opinion that in Canada, where of necessity freight must be conveyed in large quantities over long distances at all times of the year, *railway transportation is essential to the economic welfare of the country*. Because they are essential and because the railway freight rate structure implies conditions approximating to a quasi-monopoly, the railways require, if they are to continue to operate efficiently, a measure of protection for long distance road competition and an equalization of the conditions under which short distance traffic is carried. It states that by concentrating less on mutual competition and by turning their energies to the co-operation of the services they provide, a properly co-ordinated system of transport will be evolved. The commission also expressed the view that the true function of road transport in such a co-ordinated system, as auxiliary and complementary to the steam railways, would appear.

Constitutional limitations also are recognized by the commission when it states (section 167) that:—

Under the Constitution of Canada regulation of road transport falls within the exclusive jurisdiction of provincial authorities. While the Dominion Government is not limited by the Constitution in the matter of taxation, in practice road vehicle taxes are imposed solely by the provinces.

Because of these considerations, the Commission thought it inadvisable to make any specific recommendations in regard to the regulation and taxation of road transport. It strongly emphasized, however, that the Federal and Provincial Governments in co-operation should examine the question of the regulation and taxation of highway motor vehicles with a view to equalizing the conditions under which highway and rail transport is carried on and to securing uniformity throughout the Dominion. A joint inquiry in which both Federal and Provincial Governments were represented should enable a measure of agreement to be reached upon the general principles which should govern the regulation and taxation of motor vehicles using the public highway.

Reference has already been made to the Federal-Provincial Conferences of 1933 and 1935. The definite conclusions reached by those Conferences evidently contemplated legislation to provide for uniform regulations which would implement the basic recommendations of the Duff Report. Particular emphasis should be placed upon the seventh clause of the 1935 Conference conclusions (similar in principle to clause 8 of the 1933 Conference conclusions) which reads:—

(7) That a licence should only be granted for the operation of vehicles for the transportation of passengers or freight for hire where it can be proved to the satisfaction of the licensing authority that the service proposed is a public necessity and convenience.

Had the foregoing conclusion been implemented by legislation and a definite policy adopted accordingly by all Provincial licensing authorities the railways would not have suffered unfair competition from commercial vehicles which have been licenced to operate in territory where public necessity and convenience did not justify transport facilities other than that provided by the railways.

A fair picture of the competitive factor which the highway enterprise constitutes in the transportation field may be visualized when it is noted that of the 410,500 miles of Canadian highways, 99,350 are surfaced road, with 1,240,125 registered motor vehicles operating thereon during 1936, at least a portion of the

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year. Of that number 184,000 were trucks and 2,150 motor buses. This was an increase of 64,000 registrations over the previous year. The total cost of highways to the people of Canada amounts to over \$900,000,000. The highway debt outstanding at December 31, 1936, was \$507,992,172.

The latest complete figures of highway expenditures and revenues are for 1935, as shown in the Canada Year Book, 1937. Capital maintenance and operating expenditures by the Dominion, Provincial and Municipal Governments for 1935 totalled \$92,490,449. The total revenue, chiefly from registration and gasoline tax, amounted to \$54,623,623. It will be seen, therefore, that the expenditures over revenues for 1935 show \$37,866,826.

In view of the foregoing, it would seem unnecessary to further elaborate on this subject to convince any unbiased observer that orderly regulation of highway transport is a national necessity. That such regulation is of vital importance, not only to eliminate destructive competition with the steam railways and within the highway transport enterprise itself, but also for the conservation of human life is emphasized in the fact that during the past ten years there has been an annual average of over 1,150 deaths resulting from the construction and operation of our Canadian highways. Surely, this constitutes a challenge to all Government authorities and public bodies to exert every reasonable effort in the adoption of appropriate measures to minimize this awful destruction of human life and property.

The recent introduction in the Senate of Bill Z2, which proposes the incorporation of a company to further commercialize the highways by securing the right to transport merchandise from points in the United States to other points therein through Canada, in competition with the railways would create additional competitors and greatly accentuate the human hazard on the already over-crowded highways of Ontario, in addition to increasing costs of highway maintenance. By no stretch of imagination can this proposed transport agency be regarded as a public necessity or convenience.

The Report of the Duff Commission sets for the general principles upon which operators of commercial highway carriers should be regulated. With those we are in general accord. Labour is especially concerned with the following two principles:—

Minimum standards in regard to working conditions, including wages and hours of labour, should be required.

In the interest of safety of the public, a standard of fitness should be required of all operators in regard to their vehicles.

That railway labour has been able to fully appreciate the foregoing and other important statements in support of the regulation of highway transport, now heavily subsidized, is indicated by the fact that for more than a decade we have approached Federal and Provincial Governments, annually, strongly advocating orderly highway regulation in the hope that those authorities might more fully realize how unfair to the railways and harmful to the general public welfare is unregulated highway competition. We desire to repeat the previous assurances given by railway labour, namely, that it is ready and willing to continue to make its contribution to the formation of regulatory measures which must be adopted progressively covering commercial motor vehicle transport.

(b) Air transport development, thus far, may be regarded as in the experimental stage. Because of this, its potentialities cannot be fully estimated. However, it is not too early to forecast the important service rendered in many areas in Canada where the peculiar physical and geographical characteristics heretofore have rendered other transport services exceptionally limited, if not inaccessible. For these and other reasons, airways have not constituted a serious competitive factor in the transportation field. The co-ordination of this mode

of transport with railway services under progressively developed control and regulation would seem a worthy objective for the general advantage of Canada. In the development of that enterprise, it must be assumed that large public subsidies, in addition to those already expended, will substantially increase the burden of taxation.

(c) Waterways transport has long passed the experimental stage. The capital expenditures by the Dominion Government on aids to navigation, canals and harbours, including expenditures on dredging up to March 31, 1936, amounted to \$789,971,672. The total annual expenditures, capital, maintenance and operation for the same fiscal year amounted to \$33,223,548. The *Canada Year Book* points out "No attempt has been made to collect from water traffic a return on the investments in waterways or the annual expenditure for their maintenance and operation." The total revenue received for the fiscal year December 31, 1936, amounted to \$1,166,530, thus showing expenditure over revenue for the same year of \$32,057,018.

Because of the heavy annual subsidies for aids to navigation, we have repeatedly urged upon the Government that legislation be enacted to require that adequate tolls be charged for all commercial transport services through our canals and that measures be taken to place all our inland waterways under the control and supervision of a Transport Commission. For about seven months in the year, waterways transport constitutes one of the most serious unregulated competitors of steam railways. Any attempt to bring this agency under the control and regulation of appropriate Government authority has met with strenuous opposition by those who have benefited most from this subsidized enterprise.

By Right Hon. Mr. Meighen:

Q. Would you mind telling us who those people are? I understood the steamship companies wanted this regulation. Who are the people who do not? And who are the beneficiaries?

Hon. Mr. DANDURAND: The water shippers.

The WITNESS: The largest number of water transportation companies who appeared before the Senate Committee a year ago opposed the bill that was then before the Senate.

By Right Hon. Mr. Meighen:

Q. That is, in numbers; but in quantity of ships, by far the greater number wanted it.—A. The provinces also.

Q. As a matter of fact, it was mainly the western farmers. I think you should say so.—A. No, it was not only the farmers.

Q. It was mainly the farmers. You read your brief as if it was the transportation companies; whereas it was just the other way.—A. I think it is true that not all the transportation agencies, but some of the larger companies, like the Canada Steamship Lines, particularly on the matter of agreed charges, agreed to them.

Q. About 85 per cent in quantity wanted it.—A. But there are a large number of companies opposed. Those are the ones referred to in our memorandum.

Hon. Mr. HAIG: Some of the western farmers opposed it.

Right Hon. Mr. MEIGHEN: And still do, bitterly.

The WITNESS: The experience with the Transport Bill, introduced in the Senate about one year ago and subsequently defeated, as well as the experience with the Transport Bill which passed the House of Commons on June 7, convinces us they are quite content to accept, indefinitely, the assistance from public funds without any apparent intention or willingness to pay their way. The

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situation in connection with waterways transport is tersely summed up by the Duff Commission when it stated: "Aids to navigation and the construction of canals and their maintenance have been exclusively a charge upon the public treasury."

Notwithstanding the heavy annual subsidies to competitive transport agencies, there appears in prospect the consideration of additional huge expenditures for the St. Lawrence Waterways. Obviously, this project would adversely affect the railways. As has been frequently represented to the Government of the day by railway labour, that project cannot be justified either on the grounds of economic expediency or present or anticipated transport requirements.

Summarizing the annual cost to Canadian taxpayers for actual expenditures to these two competitive transport agencies, over revenues, the following appears:—

Waterways.. . . .	\$ 32,057,018
Highways.. . . .	37,866,826
Total Expenditure over Revenues.. . . .	\$ 69,923,844

It will be noted that the above subsidies to these two competitive transport agencies exceed by more than twenty-seven and a half million dollars the reported deficit of the Canadian National Railways for 1937. It is difficult, therefore, to reconcile the attitude towards the C.N.R. deficits whilst the public accepts, apparently without audible complaint, a much heavier annual burden by reason of subsidies to transport agencies competing for traffic which is so essential to the financial success of the railways.

By Right Hon. Mr. Meighen:

Q. This deficit you have in respect of highways and waterways takes into account capital investment; whereas in respect of the C.N.R. we take no such thing into account. You have a very different basis of computation there.—A. That may be true, but, on the other hand, there are large expenditures which are not shown here and not reported, such as policing the highways, and so on.

Q. But it is nearly all capital investment.

Hon. Mr. HUGESSEN: Not in the case of the waterways.

Right Hon. Mr. MEIGHEN: A considerable amount would be maintenance, no doubt; but the capital investment is included.

Hon. Mr. HUGESSEN: Capital investment in waterways is put at \$780 million odd, and annual cost at \$32 million odd.

Hon. Mr. ROBINSON: It is difficult to tell what the division is.

By Hon. Mr. Haig:

Q. In Manitoba the provincial Government devotes moneys that you charge here to highways to the building of market roads for the use of the farmers, the local people, and the municipalities practically use no money for any other purpose. It is not fair to take that expenditure into account.—A. What we are endeavouring to show, Senator, is that regardless of what the purpose of maintaining those highways is, all the costs of the railways are shown in their reports, while those of the highways are not.

Q. Last year the provincial Government of Manitoba, after allowing what it spent on highways, including interest on all the capital it had put into them, and what it took out of motor trucks and buses, had a surplus of nearly \$500,000.

—A. That was 1937?

Q. 1936.—A. The only figures in the Canada Year Book are up to 1935.

Q. In 1936, after allowing for all repairs, maintenance, interest on the total capital invested—and some was invested for market roads, roads not used by

motor trucks and buses at all—and depreciation, there was nearly \$500,000 of a surplus derived from the tax on motor buses and trucks alone.—A. I think it is true that a number of the provinces, particularly Manitoba and Saskatchewan, are showing very much more revenue than they did in previous years.

2. CONSTITUTIONAL LIMITATIONS

It is our considered judgment that constitutional limitations have been and remain the chief obstacle to the enactment of legislation so necessary to ensure equitable regulation and effective control. This limitation was recognized by the Duff Commission, but in consideration of highway regulation and taxation being a Provincial responsibility thought it inadvisable to make any specific recommendation. The Commission did emphasize that the Federal and Provincial Governments in co-operation should examine the question with a view to equalizing conditions under which highway and rail transportation is carried on. This was a challenge for co-operative effort in reaching some solution of a problem concerning which the Commission could not place full responsibility on any Government authority. The extent to which Federal and Provincial authorities have co-operated through conferences and discussions has already been referred to, but the chief conclusions reached by those conferences still remain to be implemented by the necessary legislation.

Railway labour, as well as other public bodies, have long recognized the need for one central Government authority and, annually, for several years, have proposed to the Governments of the day, both Federal and Provincial, that the British North America Act be amended to empower the Federal Government to deal effectively with the regulation of all transport agencies. We regret, however, that a lack of complete co-operation together with the existing division of legislative jurisdiction have defeated the fulfilment of our hope for orderly regulation of all transport agencies and, therefore, have been largely accountable for continuing the railway problem. For a practical solution of that problem, a grave responsibility must be shared by all public bodies, including Federal and Provincial Governments, for taking appropriate measures to clothe the Federal Parliament with full legislative competence to enable it to deal effectively with all public carriers of passengers and freight, whether by air, land or water, as works for the general advantage of Canada.

3. TRAFFIC CONDITIONS

All inquiries into the Canadian transportation problem, past and present, have revealed one outstanding fact, namely, that a falling off of traffic is the chief contributing factor to the existing financial condition of the railways. Other related factors have been already dealt with, but it remains to be shown the actual causes for the uncertainty of a sufficient flow of traffic to ensure a reasonable and steady use of railway services and facilities to produce the revenue essential to show a favourable credit balance for our major and only reliable means of transportation. It is not enough to recognize that the position of our railways is the result of the depression in world trade, without some equally frank recognition of the primary causes of depression. All economic authorities agree that trade depression is primarily due to a slowing up of the production of the various commodities which our people, in common with citizens of other countries, are willing to purchase. But why this unsteady production of commodities which so seriously affects a normal flow of traffic? Obviously the answer is found in the diminishing number of citizens who are able to purchase those commodities which are necessary to maintain a reasonable standard of living. Moreover, thousands of citizens whose buying power is not entirely exhausted are impelled, from a growing sense of insecurity, to curtail their reasonable purchases, thereby directly affecting normal production and traffic.

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IV. UNIFICATION AND ITS EFFECTS ON HUMAN WELFARE AND NATIONAL ECONOMY

It is the considered opinion of railway labour that unification of our major railway systems would prove a more unsound policy for the welfare of our people and our national economic structure than the unregulated competitive carriers of passengers and freight have been to the transportation structure. Failure to remedy the latter offers no justification for adopting the proposal in question. Unification of our major railways can only, at best, be a piecemeal effort within the railway industry. Any benefits attained would be at the expense of human and national welfare, causing great sacrifices by citizens involved and, likewise, a disproportionate distribution of gain.

1. HUMAN WELFARE

Every forward-looking Canadian must cherish the hope that there may soon be evolved a re-adjustment of our economic structure as will ensure to the nation and to industry a substantial increase in the number of our citizens who will possess sufficient purchasing power to enable them to move along the path of self-reliance. That hundreds of thousands of workers, especially during the past seven years, have been obliged, through the force of economic circumstances, to leave that road of contentment for a "detour" of uncertainty and economic insecurity should arouse within every Canadian a spirit of patriotic indignation and determination to use every honourable means to remove forever that blight from our national reputation. This should be our objective, rather than to plan curtailment of opportunity for employment.

In our opinion, the financial burden consequent to the railway situation can only be relieved by a more equitable adjustment of related factors within our national economic structure. If it has been necessary for Canada to spend \$308,000,000 on relief projects since 1930, how, in the light of obvious facts with respect to human needs, can we hope to lighten our national burden of taxation by deliberately planning to throw more of our citizens out of employment, and thereby increase the number of relief recipients? Will the proposal for unification or amalgamation bring about a wider sharing of purchasing power and a more equitable distribution of national income as between capital and labour? Will that proposal ensure greater stability of our industrial system and a more continuous operation of its machinery and production? Will it increase the number of wage-earners or increase the wages of underpaid workers? Will it stimulate or will it retard economic and industrial recovery and national prosperity? An honest effort to accurately appraise the significance of these questions may stimulate some scientific enquiry into the actual causes for the chaotic social and industrial conditions directly affecting our national economy. Obviously, a just apportionment of the wealth invested in and produced by industry must, inevitably, be reflected in a wider and more equitable sharing of purchasing power.

An outstanding economist recently said—"The great bulk of saving must come from earnings of capital; that is, from interest and dividends. The great bulk of the required increase in spending must come from the earnings of labour. Therefore, we must decrease the former and increase the latter. Labour's share should be increased to between 70 and 75 per cent of the national income." Obviously, Canada must learn that no people can advance unless they take with them the common, everyday man.

2. HUMAN FACTOR IN RAILWAY INDUSTRY

We respectfully suggest that economical and efficient operation becomes more difficult as a railway system expands beyond the effective control of a single hand. It has been well said that "railroading is 95 per cent human." The

unification of our two major railways would tend to submerge the human or personal consideration in their operation. Far-sighted and progressive policies of a railway may be hampered or modified by the inherent difficulty of inducing their application by subordinate officers, too numerous and remote for control by a single mind.

In his opinion handed down in 1929 as an Interstate Commerce Commissioner, Joseph B. Eastman, who was at a later date appointed Co-ordinator of Transportation in the United States, had this to say:—

There are strong grounds for the belief that the best results in operating efficiency and service are secured when a railroad system is small enough so that the executive can maintain something like personal contact with the employees all down the line and also with the shippers in the territory served.

No one may reasonably question the genuine values that come from maintaining and fostering at all times the high morale and goodwill of railway employees. Unification would tend to destroy the contact with the employees which fosters this human relationship. The monopoly created by unification would also greatly impair the spirit and incentive to continue the high standard of efficiency which has been the railways most valuable asset. In view of the intolerable amount of unemployment now existing among railway workers, it certainly would not improve the morale of these employees to add several thousand more to the ranks of the unemployed.

3. LABOUR'S EXPERIENCE WITH AMALGAMATION

Based upon the experience of railway labour, we have reason to be apprehensive of the results of unification or co-operative measures designed to effect economies in railway operation. This experience extends over some years past and covers the amalgamation of several lines which, formerly, were under separate management. Co-operative measures and the pooling of services and facilities since 1933 are included in that experience.

When the several corporate lines, now comprising the Canadian National Railways System, were amalgamated under one company, which in effect was unification, it resulted in great confusion and insecurity by reason of the fact that this unified management in an endeavour to practice economy in operation, in many cases arranged for abandonment of certain portions of line and in other cases selected the most direct and economical routes between points over which traffic would move. In cases of abandonment the employees, in some instances, were given work at other terminals, whilst some found themselves entirely without employment of any kind. In cases of rerouting of traffic, the result was that a large number of employees who had been permanently located on the line from which traffic had been diverted, found themselves without employment, whilst others, by reason of their seniority were able to secure work only by transferring to other points and displacing other employees located there. Under these conditions employees who were obliged to transfer suffered great loss and inconvenience by having to sacrifice their homes by disposing of them at reduced value, which naturally follows reduced payrolls or decreased opportunity of employment in any locality.

The transfer of employees from one corporate line to another necessitated the merging of existing seniority lists. Several agreements were entered into and applied to the different classes of employees, but, as is inevitable in all such mergers, many of the employees affected were in a more inferior standing after the merger than previously, with the result that great dissatisfaction was manifest among the employees. The Railway Brotherhoods expended many thousands of dollars in an attempt to reach a satisfactory adjustment of the

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difficulties. Suffice it to say, after several years of effort by representatives of labour and officers of the company, the matter has not yet been disposed of to the entire satisfaction of the employees.

Further unpleasant experiences were had from the results of abandonment of the former Canadian Northern Lines between Toronto and Napanee. When this was finally made effective every employee, formerly engaged in that territory, was obliged to move, and as the traffic was diverted to the former Grand Trunk line, arrangements were made to place on that property some of the employees of the abandoned line. No yard-stick could be found which would accurately measure the amount of work from month to month which could be given employees from the abandoned line. The great difference in years of service and seniority standing as between the Canadian Northern and Grand Trunk employees created the bitterest feeling between the employees themselves and against those responsible for such conditions.

Similar conditions prevailed at several other points on the Canadian National Railways System, but one further instance will suffice to emphasize the serious consequence from economies already effected. The town of Big Valley, Alberta, located on the former Canadian Northern Railway between Calgary and Edmonton, about 132 miles from Calgary, was formerly a divisional point on that line. A summary of the facts are as follows:—

1. Big Valley was created as a divisional point by the Canadian Northern Railway.

2. The employees purchased property on which to build their homes from a subsidiary of the Canadian Northern Railway Company, whose officers encouraged the employees to purchase property by the assurance that there was no intention of moving the terminal from Big Valley.

3. The employees were obliged to spend considerable money in the purchase and maintenance of homes, and the payment of taxes; the aggregate assessable value of both land and buildings of the town having reached over \$487,100. By May, 1938, the assessable value of the same property was but \$203,300.

4. After the amalgamation of the former properties into the Canadian National Railways, the traffic formerly handled through Big Valley was diverted over the former Grand Trunk Pacific Railway, thus necessitating many of the employees moving away from their homes in order to follow the traffic, whilst others were thrown out of work.

By the Chairman (Right Hon. Mr. Graham):

Q. Is there not a statute now which provides that if a terminal is moved from one point to another, the company moving it has to pay the expenses of the employees?—A. That is referred to just a little later on.

5. In the diversion of traffic and the subsequent partial abandonment of Big Valley as a divisional point, the property held by the employees had greatly depreciated and the men were unable to maintain their homes at Big Valley, or to dispose of them. Instance the case of one employee who, unable to retain his home and pay taxes thereon, disposed of his property for one dollar and also paid the transfer costs.

6. Had the company entirely abandoned Big Valley as a divisional point it would have been required, under section 179 of The Railway Act, to compensate the employees for the loss of property occasioned thereby; but whilst the terminal staff was entirely removed, one engine and train crew was retained which, in the opinion of the employees, was done for the sole purpose of evading its responsibility under the provision of the Act. An application was subsequently made to the Board of Railway Commissioners on behalf of the employees and hearing thereon held in Edmonton on October 10, 1931, but the

Board's Judgment denied the application on the ground that "The applicants having failed to bring themselves within section 179 of The Railway Act, the Board has no jurisdiction to deal with the matter."

What was done by the Canadian National Railways in the foregoing instance was prompted on grounds of economic expediency and is merely what any other railway company would do, without regard for the sacrifice suffered or losses sustained by the employees.

From these and other similar experiences from amalgamation, together with experiences from co-operative measures and pooling of services already referred to the sense of security of employment and residence location have been greatly impaired or destroyed. Therefore, railway labour cannot be expected to become enthusiastic over any assurances which may be made for compensation to them for losses resulting from the proposal under review.

4. LABOUR'S CLAIM TO COMPENSATION

It has been intimated that in certain estimates of savings to be effected no provision was made for compensation to employees who would be displaced. It should be remembered that, in railway work, conditions of employment are unique in many respects. To build and operate railways, men must move to distant points to perform the services peculiar to that enterprise, and necessary to national development. They and necessary business interests have established homes and communities as a result of railway construction and operation designed for public convenience and necessity. The values and civil life of such communities have grown with the progress of our country, promoted largely through service rendered by the railways. The Big Valley case, above cited, is typical of the sacrifices of railway labour already suffered and of what may be expected from further indiscriminate economies.

Railway labour has never placed any obstacle in the way of technological changes or improved railway equipment or facilities but, on the contrary, has encouraged such improvements. However, labour has not been slow to recognize that the inevitable result of much of these modern facilities has been to reduce their number required for railway services. In all of these displacements, losses have been suffered by railway labour, by the communities and by the country as a whole which it is impossible to estimate. These sacrifices have been made without due appreciation of the obligation upon the industry or the enterprise itself.

It is conceded that a very large percentage of saving already effected by co-operation and pooling has been at the expense of labour, also that those who advocate unification have stated that the chief economies therefrom are ultimately to be made by saving labour. Any economies that require labour to bear an uneven amount of the burden should bear close scrutiny. We, therefore, desire to make the following observations.

The difficulty with the railways is not the fault or the direct responsibility of labour. It has had no part in the management nor has it been consulted on the policies followed. It has been to all intents and purposes a part of the equipment to be used if, as and when required, with this difference, however, that invested capital in equipment must be paid for through interest charges, regardless of whether it is in actual use or idle, while labour is not paid or compensated unless actually employed by the railways. In other words, if there is not traffic to move, employees are reduced accordingly, with consequent loss of wages. Therefore, the human element does not receive comparable treatment with material investment. Apart altogether from the fact just referred to, we state without reservation that the efficiency and productivity of the employees

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is steadily rising and in support of such statement, we submit the following comparison between 1920 and 1936; the data used being taken from reports of the Dominion Bureau of Statistics:—

For each employee in 1920 the Canadian railways had a net operating revenue of \$78.80. For each employee in service in 1936 they had a net operating revenue of \$423.40, which was an increase in net operating revenue per employee as compared with 1920 of 437.3 per cent. In 1936 the net operating revenue per hour of employee's service was 483.9 per cent greater than that of 1920 and the net operating revenue per dollar of employee's compensation increased during this same period by 520.4 per cent.

It is respectfully submitted on behalf of railway labour that if the interest on capital expenditures for unused power and rolling stock of the railways, or of unused plant or equipment in industry, due to depression of falling off of business, constitutes legitimate overhead charges against the consumer, it seems to logically follow that unemployed workers from similar causes should have an equally legitimate claim upon a larger share from industry as compensation for the loss of employment opportunity. Moreover, in any further co-operative measures involving labour displacement, definite provision should be made for equitable treatment to railway labour by compensation from the industry for any and all loss of employment opportunity.

By Hon. Mr. Haig:

Q. You do not take into consideration, for instance, that the common stock has paid no dividend for the past five years; that the money invested by the people of Canada, \$675,000,000, has not paid any return either?—A. Are you speaking of the original investment?

Q. Any investment.—A. There is a big difference.

Q. The people of Canada do not get a single dollar of return on all the money they have put into the Canadian National Railways, and the shareholders of the Canadian Pacific do not get a dollar for all the money they have put into the C.P.R. I know many people in Manitoba, some of them railway people, who have five or ten shares in the C.P.R. They paid \$150 a share for it, I think, about ten or twelve years ago. They do not get any dividends on that. So that part of your statement is not correct.—A. To what extent is it not correct?

Q. Half the capital of the C.P.R. is in common stock, and the people who put up that money get nothing.—A. Well, senator—

Q. And on all the money put up by the people on the Canadian National they get nothing either.—A. I would prefer at the moment not to discuss the actual investment in the Canadian Pacific or any other private company and the inflated value of it to-day. There is a great difference to the people of Canada.

Q. I am talking about the people who bought stock in the C.P.R. and paid for it. If I am wrong I want you to correct me.

Hon. Mr. ROBINSON: What does his statement say?

Hon. Mr. HAIG: At the bottom of page 29 it says:—

It is respectfully submitted on behalf of railway labour that if the interest on capital expenditures for unused power and rolling stock of the railways, or of unused plant or equipment in industry, due to depression or falling off of business, constitutes legitimate overhead charges against the consumer—

Hon. Mr. ROBINSON: I think all he asks is that the workers should have an equally legitimate claim.

Hon. Mr. HAIG: They are paid.

Hon. Mr. ROBINSON: That they should have an equally legitimate claim.

Hon. Mr. HAIG: He says the people who have put money into the company get dividends. They do not. That is the trouble.

Hon. Mr. ROBINSON: I think your argument is right, but I do not think he claimed quite what you say he did.

The CHAIRMAN (Right Hon. Mr. Graham): All right.

The WITNESS (reading):

5. LABOUR TURNOVER

Prior to and during this investigation by your Honourable Committee, it has been stated that the annual labour turnover on the Canadian Pacific Railway is almost five per cent; that each year almost five per cent of the employees, die, retire, seek other employment or leave the service for other reasons. It has also been stated that more than twenty per cent of the present employees of the Canadian Pacific have five years or less service.

As representatives of the organized classes of railway labour, we are not in possession of employment figures covering all classes of employment on the Canadian Pacific, and if the five per cent referred to embraces all classes of employees, including casual workers, we are not competent to challenge that percentage. We assert, however, that in some classifications there is not an annual labour turnover of five per cent and, moreover, there are thousands of railway employees who began employment many years ago who are to-day waiting re-employment—men of twenty and twenty-five years' experience. It was stated by President Beatty, on behalf of the Canadian Pacific Railway (page 543 Proceedings):—

It is true that more railway workers will leave the service in the time required for unification that would be necessary to accomplish the estimated saving. That is, however, not the same thing as saying that no one will lose employment. The fact that, for example, a locomotive engineer retires does not necessarily open an immediate opportunity for the employment of an accountant or a freight checker who can be dispensed with as a result of unification. There are, however, certain compensating facts. One is that we should have available the entire employment opportunities of the two railways. That is, under unification, the transfer to useful employment of labour saved will be easier than is the case with two independent systems.

Inasmuch as locomotive engineers are referred to, we believe the following will be of interest: Totalling the names of locomotive engineers on the lists of the sixteen seniority districts on the Canadian Pacific Railway, we find that in 1928 there were 3,750 names. A check of these lists, revised as of 1938, shows 2,850 names. Therefore, from various causes, there was in this ten-year period a reduction of 900, or an annual average of 90. If retirement continued on that basis, it would require slightly more than 31 years to retire the number of engineers now on the seniority lists. If five per cent had retired each year, there would have been 1,314 of these men retired instead of the 900. The average annual retirement was 2.4 per cent. In March of this year, there was approximately 1,597 of the 2,850 now on the seniority lists who were actually employed as engineers.

Similar information covering the Canadian National Railways shows: Totalling the names of locomotive engineers on the lists of the eight seniority districts on that property, we find that in 1928 there were 3,440. A check of these lists, revised as of 1937, shows 2,924 names. Having regard to the fact

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that 133 names were added during that period, we conclude, therefore, that from various causes, there were in this nine-year period 649 engineers removed from the seniority lists, or an annual average of 72. If retirement continued on that basis, it would require slightly more than 40 years to retire the number of engineers now on the lists. The annual average retirement was 2 per cent. In April of this year there was approximately 1,970 of the 2,924 actually employed as locomotive engineers. These figures are taken from records available and applicable to locomotive engineers only. Being one of the senior groups, their average annual retirement would naturally be greater than in a younger group and, therefore, we submit it is a conservative estimate of what may be expected as a labour turnover in all classes of employment.

We also have information regarding another group of employees which includes train despatchers, station agents, assistant station agents, telegraph operators, telegraph linemen and levermen. The total number of employees in this group, as shown by the seniority lists for the Canadian Pacific Railway on December 31, 1928, was 3,806. By December 31, 1937, the number had been reduced to 3,299, a displacement of 507 which was a reduction of 13.32 per cent in nine years. During the same period only 188 new employees were hired. On the Western Region of the Canadian National Railways comparative figures show: 1,987 employees on December 31, 1928, and 1,585 on December 31, 1937, a reduction of 402 or 20.23 per cent. New employees hired during that nine-year period totalled 130.

Another startling fact regarding labour displacement. In 1929 there were 187,486 employees engaged in all services in the operation of Canadian railways. According to the Preliminary Report of the Transportation Branch of the Dominion Bureau of Statistics, the monthly average number of employees on both the Canadian National and Canadian Pacific Railways for 1937 was 125,300. During the intervening years, the monthly average frequently dropped to between 116,000 to 120,000. It is somewhat astonishing, but nevertheless a fact, that whilst there has been considerable agitation and complaint from some quarters because of reduced dividends on capital investment, there has been apparently little concern shown for the deplorable loss in human values.

It should be recognized that no class of Canadian citizens has done more during the most crucial years of the depression to share available work with their fellow employees than have railway labour. Such action resulted in large numbers of railway employees being taken care of to the extent that they were kept off relief, thereby lessening the otherwise increased burden upon Canadian taxpayers.

It has been submitted in support of unification that five per cent of the employees per annum leave the services and, consequently, there will be very little displacement of labour, also that the saving of labour would come from a policy of not hiring additional workers to take the place of those leaving the service during the period of bringing unification into effect. It should be emphasized, however, that serious consideration should be given to the phase of the situation regarding employment opportunity. The problem of unemployment is still acute and to close any opportunity of work with the two largest employers in Canada would seriously affect thousands of citizens already unemployed as well as the youth who annually are leaving our schools and colleges in increasing numbers, with diminished opportunities for gainful employment.

6. RETIREMENT PENSIONS PLANS

It has been suggested in some quarters that to overcome loss of employment the pension plans of the railways might be utilized to the extent that employees be retired before reaching the age of 65 years.

If serious consideration of such suggestion should be given by your Honourable Committee, we believe it would be helpful if you had knowledge of a few pertinent facts in connection with the pension plans involved:—

(1) There are some thousands of the employees who, from various causes, are not eligible to participate in the present pension plans, regardless of age of retirement.

(2) The pension plan of the Canadian Pacific Railway is not similar to that of the Canadian National Railways. That is to say it is not exactly the same. They are both contributory. What is meant is that they are not the same in principle.

(3) The pension plans of both railways are contributory. Those employees eligible for pension privileges on the Canadian Pacific contribute 3 per cent of their wages, while the employees on the Canadian National may contribute from 1 to 10 per cent of their wages.

(4) Pension plans of both railways are based on retirement at age 65, but while the plan of the Canadian Pacific provides that employees may continue, under certain conditions, beyond that age, the Canadian National does not contain similar provisions.

(5) The pension plan of the Canadian Pacific provides that contributions from the Railway Company are voluntary; consequently the employee has no legal claim for pension, while the Canadian National provides a legal obligation to pay the pension at retirement.

If these railways were placed under unified management, it would mean that employment would also be unified, resulting, in many instances, that there would be an interchange as between employees of the corporate lines, thereby creating a condition where an employee of one line would of necessity take service on the other line, where under its pension rules such employee may not be eligible for pension privileges and could not contribute towards the plan. It should be borne in mind that one of the principal rules of each plan is continuity of service on such railway. The same condition would apply in the event of further co-operative plans or pooling of services, which necessitates an interchange of employees as between the corporate lines.

7. COMMUNITY AND NATIONAL INTEREST

Seldom has a community developed before a railway was constructed to serve it; where the contrary is true, there generally were other means of transportation. With respect to the overwhelming majority of the present individual communities throughout the Dominion, the railroads were the first to come and, logically, should be the last to go. To permit the railways to leave or to unduly curtail reliable transportation facilities would be to break faith with hundreds of thousands of our citizens who have founded these communities, built their homes and established their places of business on the faith that the railways would always give them that which is so vital to community life and social existence, namely adequate, continuous and dependable transportation. A discontinuance of railway service will leave the citizens at the mercy of other unregulated and unreliable transportation agencies not under Federal control. It will also result in destruction of private businesses and homes and will virtually wipe out real estate values, all of which have been predicated upon the faith of the people of those communities that the railways would continue to serve them. This faith of the people and of the communities in our railways must not be lost sight of, and according to long-established Canadian principles, this faith and the public interest requires and justifies the availability of the railway service in all communities dependent upon them.

There is a powerful appeal through patronage between the small business man and his close neighbour who owns a truck. However, many business men

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feel kindly towards the railways because these business men and their communities have grown up with that particular railway. Likewise, many communities lean heavily upon the railways for tax sources and income that are so vital to the maintenance of their local governments and to the subsistence of their people. All of this good feeling towards the railways would be extinguished by the results of unification.

The evil effects of railway unification would by no means be confined to small individual communities; the prosperity and welfare of large cities and the entire Dominion is involved in the proposed plan. It is inconceivable that the proposed contraction of the two separate and distinct transportation units could possibly be accomplished without far-reaching injury to the general public. Railways by their nature must offer certain unprofitable services so necessary and indispensable to modern civilization. Obviously, public welfare and the national interest demands that the identity of the two major railways be maintained and continued under separate management.

8. WAGES OF RAILWAY LABOUR

Occasionally reference has been made to alleged high wages of railway employees and its effect upon the railway problem. Therefore, we desire to give the following authentic information bearing on this subject:—

A study of the average monthly earnings by Canadian railway workers will immediately explode the fallacy of high railway wages in Canada. The official records compiled by the Transportation and Public Utilities Branch of the Dominion Bureau of Statistics and certified by the comptrollers or other officers of the railway companies will definitely establish the fact that the majority of the Canadian railway employees received average monthly earnings substantially below that necessary for a proper, comfortable and healthful standard of living.

There were 10,707 Canadian railway employees who in the year 1936 received average monthly earnings of less than \$65 per month. This group embraced chiefly maintenance of way labourers who engaged in hard manual labour, who are exposed to all types of weather conditions and who likewise are the victims of irregular and uncertain employment due to the seasonal character of the work performed by them.

There was a total of 15,025 employees, representing 12·4 per cent of the entire group, who received \$75 per month or less. In this group will be found telephone switchboard operators, regular apprentices, car cleaners, station agents, non-telegraphers (small station) and others.

There were 41,238 employees, representing 34 per cent of the total, who received less than \$85 per month. In this group ranging between \$75 and \$85 were bridge and building department apprentices, sectionmen, storemen, freight handlers and others.

There were 50,337 Canadian railway employees, or 41·5 per cent of the total, who received average monthly earnings of less than \$110 in 1936. In this group below \$110 will be found many skilled mechanics who must serve apprenticeship or engage in their work for years before being qualified or possessed of sufficient skill for the performance of the service required of them. This group includes carmen, moulders, stationary engineers, signalmen, helpers to mechanics, floating equipment employees and others.

Almost three-quarters earned less than \$125 per month in 1936. Below this figure were 87,331 employees, or 71·9 per cent of the total. In this group were carpenters and bridgemen, section foremen, blacksmiths, boilermakers, clerks, carmen, electrical workers, machinists, pipe-fitters, sheet metal workers and switch tenders.

There were only 15·7 per cent of the employees who earned \$150 per month or more. In the group earning between \$125 and \$150 per month were bridge

and building foremen, pile driver, ditching, hoisting and steam shovel employees, constables and policemen, station agents (telegraphers and telephoners), foremen in freight sheds, sleeping and parlour car inspectors and conductors, road freight brakemen and flagmen, yard brakemen and helpers and yard firemen and helpers.

By Hon. Mr. Calder:

Q. In these figures you include only actual earnings; those are not the rates of wages?—A. They are the actual amounts earned.

Q. I understand, for example, the railway men agreed among themselves with the railway companies that the men would be employed only a certain number of hours a day. In certain classes of work I can quite understand that on account of conditions existing a man would earn less than his rate of wage if times were normal.—A. These are averages, Senator Calder.

Q. These are actual earnings?—A. Yes.

Q. Not rates of pay?—A. They are averages for the rate of pay in the group.

Q. That was earned?—A. Yes.

Q. Quite right.—A.

Only 15·7 per cent of the total number of employees earned more than \$150 per month. There were 112,727, or 92·8 per cent of the total, who earned \$200 or less. In this group with earnings ranging from \$150 to \$200 per month are assistant engineers and draftsmen, extra gang and snow plough foremen, signal foremen, foremen linemen, inspectors and sergeants of police, supervisory agents and assistants, road passenger brakemen, baggagemen and flagmen, yard conductors and yard foremen, engineers, firemen and others.

Less than 2 per cent of the total number of employees, including the officials, earned more than \$250 per month. Out of the total of 121,447 employees, there were 119,154, or 98·1 per cent of the total, who fell below \$250 per month. Those earning from \$200 to \$250 per month embraced miscellaneous officials, general foremen, train despatchers and traffic supervisors, yardmasters, road passenger and road freight conductors and road freight engineers and motormen.

There were 2,293 whose earnings were over \$250 per month. Of this number 585 were executives, general officers and assistants; 896 were division officers and the remainder were road passenger engineers and motormen who had devoted a major part of their working lives to the service prior to accumulating sufficient seniority to enable them to hold this limited number of preferred positions.

When it is found that less than 2 per cent of those engaged in actual railway service, including the officials, earn in excess of \$250 per month, that almost 75 per cent of the railway employees earn less than \$125 per month, that 40 per cent earn less than \$100 per month, that 12·4 per cent earn less than \$75 per month and that 8·8 per cent earn less than \$65 per month, it will readily be observed that the impression held by many with respect to high railway wages is the result of a vivid imagination based upon inaccurate rumours, rather than upon reliable and official statistical facts.

Moreover, we wish to say that wage rates in effect on Canadian railways are from 10 per cent to 14 per cent lower than those paid on United States railroads.

V. CONCLUDING COMMENTS

One of the basic causes for the financial difficulties of the Canadian National Railways is the assumption and guarantee by Parliament of the obligations created by the several bankrupt lines which were merged in that System. This action, involving a debt of approximately one billion dollars with additional

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expenditures of about \$250,000,000 for rehabilitation of such lines, was a burden which properly belonged to the people of Canada as a whole. Such action was taken to preserve the credit of Canada and not generally regarded as a sound railway investment.

This debt was charged to the Canadian National Railways and recognized as a burden which could not be liquidated from the operation of the property. That view was sound having regard to the fact that a large percentage of the railway was built and operated for national development and public service from which no return on investment was anticipated. It was reported by the Duff Commission that a large part of the money so invested should be regarded as lost.

To segregate our railways from other forms of transport for investigation in search of economies to meet fixed charges, inherited as described, without regard for the value of national economy and public service, cannot produce an equitable and lasting solution. Any benefits attained by such a course must be purchased at the sacrifice of those of our people who are dependent upon railway operation for employment and service. This would again transfer the burden of inherited and accumulated debt from our people as a whole to the relatively small portion affected, who are chiefly railway employees and residents in the communities which owe their existence to railway operation.

The sacrifices experienced in such amalgamation and co-operative measures as have already been made effective supply ample evidence of what may be expected from similar economies proposed. Against a repetition of such measures being carried out, irrespective of the interests of labour or public welfare, we hereby respectfully register a vigorous protest.

Another point referred to during the inquiry should be clarified. It was suggested that highway services might substitute for rail lines proposed to be abandoned, thus leaving a portion of the country without reliable transport facilities. Concerning such proposal, it should be emphasized that the railways constitute our basic and only dependable means of transportation for all commodities, at all seasons of the year in the territory served, and are under regulation by Federal Government authority. With the assurance of continued transportation, irrespective of climatic or other conditions, communities and business interests have grown and developed. Abandonment of railway service would carry with it elimination of existing guaranteed services under Federal regulation, leaving the people at the mercy of unregulated road transport, now in a chaotic condition. Such action could only increase the difficulties and delay necessary measures for an equitable and lasting solution of our transport problem. Moreover, to abandon railways and sacrifice labour in order to increase traffic to subsidized and unregulated transport competitors would constitute an economic folly and an inexcusable social injustice.

If your Honourable Committee accept the statement made during this inquiry that "It must be clear that co-operation, in the degree that it might be made effective, would have the same results as unified management in respect of displacement of labour," then your responsibility is the greater. There is no doubt that the greatest percentage in any reduction of operating costs, either through co-operative measures or unification, will be taken from the wages of labour. Therefore, notwithstanding the somewhat vague assurance given of the intention to compensate labour for losses sustained as a result of implementing the unification proposal, we view with apprehension the inevitable effect which further such economies would have on labour. Moreover, if the offer to compensate labour for losses resulting from unification is accepted as fair, then consistency demands that similar provisions should be made for the results of co-operative measures.

We should keep in mind that our population is much smaller than our great country, with its abundant natural resources and its gifted people may well support. With a potentially expanding population, it is impossible to perceive

any wisdom in deflating and condensing our railway transportation system. In its true light, railway unification arises out of either a counsel of despair or a narrow regard for financial profit. It may be a short-cut to higher returns on capital investment, but it is not the way to public welfare and national progress.

Unification or line abandonment is repugnant to the best interests of our country, not only in time of peace, but especially in time of war when extensive and reliable railway facilities are of vital importance. Our experience convinces us that all the existing railway facilities would be fully utilized in the event of international strife. It is, of course, the hope of all our citizens that war will not again occur, but it is surely shortsighted and unwise to suggest that we should destroy or abandon many important sections of our railway system.

In the review and comments here submitted, we have endeavoured to bring to your attention the effects upon the Canadian people as a whole which, in our opinion, would occur from amalgamation, unification, abandonment or further pooling of services. If, in the judgment of those in authority, there must be further co-operative measures, effect to such action should not be taken unless and until provision is made whereby labour's interests are protected and compensated for loss. In the consideration of any such measures, railway labour will be found ready and willing to sit down with others concerned and give sympathetic consideration to all practical and humane proposals submitted.

At no time in Canada's history has organized labour shown a greater appreciation and understanding of the magnitude and complexity of the problems confronting our various governments. That an equitable and humane solution of these problems challenge leadership and co-operation throughout the whole field of industrial and commercial organization and between them and the governments should be readily conceded. Their solution demands leadership fully imbued with a desire and determination to serve the national welfare rather than provincial or sectional interests. In a word, the major problems of all governments are primarily human problems and, therefore, must be approached from that standpoint. The final solution of our national financial burden will only be found in a fuller realization and appreciation of human values and the best interests of national welfare.

VI. SUMMARY AND RECOMMENDATIONS

Summarizing the foregoing observation and comments concerning the subject matter of your Honourable Committee's inquiry, we respectfully submit and recommend:—

1. That in any conclusions reached as a result of your inquiry, the human element and general public interest be accorded first place in the consideration of such conclusions.

2. That the best means of relieving Canada of its financial burden consequent to the railway situation is for the Federal Parliament to first become clothed with the necessary legislative competence to enable it to deal effectively by regulation and control of all forms of transportation of passengers and freight for hire, together with a like legislative competence to deal with all related factors to the transport enterprises in its various aspects. This will involve the following steps:—

First, amendments to the British North America Act—

- (a) to empower the Federal Parliament to control and regulate all commercial transport agencies as works for the general advantage of Canada, and

- (b) to empower the Federal Parliament to enact social and industrial legislation of general interest and welfare to the people of Canada.

Second, having been clothed with the necessary legislative competence, immediate measures be taken to so regulate common carriers of passengers or freight for hire, by air, water or highway, first to ensure a larger amount

of revenue from these agencies and, second, to equalize the conditions under which these competitive agencies and railway transportation are carried on.

3. That immediate measures be taken to ensure that any employee who loses his employment as a result of co-operative measures or any form of unification of railway services and facilities, shall be compensated for the loss occasioned by such displacement.

4. That in the interest of maintaining harmony and good-will between railway managements and employees, the long-established and successful labour relations prevailing in the railway enterprise be not disturbed. To maintain this relationship will serve to dispel apprehension and the sense of insecurity which has been created by the fear of unification.

5. That in the consideration of any further co-operative measures at least sixty days' notice be given to the representatives of the employees directly concerned and also the right and opportunity of such representatives to meet in joint conference with the railways considering such co-operative measures.

6. That the identity of the two major railways be maintained and that the proposal for unified management be discarded as contrary to human and national welfare.

7. That the present policy, which assigns to the Board of Railway Commissioners for Canada full authority to determine and finally decide what steam railway services shall be maintained as a public necessity and convenience, be continued; but no such powers should be given any government authority which could arbitrarily force upon one railway a co-operative or unification measure or line abandonment proposed by another railway.

8. That a committee or commission be appointed to continue a study of the whole transportation problem until a practical and humane solution is reached, and also that provision be made thereon for a representative from railway labour.

The foregoing is respectfully submitted for the careful and favourable consideration of your honourable committee with the firm conviction that our recommendations (including those set out in Appendix "B", "C" and "D") are fundamentally and economically sound and in the best interests of public welfare and our national economy.

THOMAS TODD,

Vice-president and Dominion Legislative Representative, Order of Railway Conductors.

A. J. KELLY,

Dominion Legislative Representative, Brotherhood of Railroad Trainmen.

W. V. TURNBULL,

Vice-president, Brotherhood of Maintenance of Way Employees.

R. J. TALLON,

President, Division No. 4, Railway Employees' Department, and Secretary-treasurer, Trades and Labour Congress of Canada.

J. B. WARD,

Acting Assistant Grand Chief Engineer, Dominion Legislative Representative, Brotherhood of Locomotive Engineers.

WM. L. BEST,

Vice-president, National Representative, Brotherhood of Locomotive Firemen and Enginemen.

W. H. PHILLIPS,

Vice-president, Order of Railroad Telegraphers.

P. M. DRAPER,

President, Trades and Labour Congress of Canada.

FOLLOWING IS A LIST OF THE LABOUR ORGANIZATIONS, WITH AN APPROXIMATE MEMBERSHIP OF 175,000, ON WHOSE BEHALF THIS SUBMISSION IS MADE

Brotherhood of Locomotive Engineers.
Brotherhood of Locomotive Firemen and Enginemen.
Order of Railway Conductors.
Brotherhood of Railroad Trainmen.
Order of Railroad Telegraphers.
Brotherhood of Maintenance of Way Employees.
Brotherhood of Railway and Steamship Clerks, Freight Handlers, Express and Station Employees.
International Association of Machinists.
Brotherhood of Railway Carmen of America.
International Brotherhood of Boilermakers, Iron Shipbuilders and Helpers of America.
International Brotherhood of Blacksmiths, Drop Forgers and Helpers.
International Brotherhood of Electrical Workers.
United Association of Plumbers and Steamfitters.
International Association of Sheet Metal Workers.
International Brotherhood of Firemen, Oilers and Shop Labourers.
International Moulders' Union of North America.
Commercial Telegraphers' Union.
Division No. 4, Federated Railway Trades.
Trades and Labour Congress of Canada.

APPENDIX "A"

Montreal, Que., Oct. 28th, 1933.

Mr. S. J. Hungerford,
Acting President, C.N.R.,
Montreal, Que.

Mr. Grant Hall,
Vice-President, C.P.R.,
Montreal, Que.

Dear Sirs:

When the Senate and the House of Commons were debating and enacting legislation to implement the recommendations of the Duff Commission, which legislation has become known as the Canadian National-Canadian Pacific Act, 1933, the Conference Committee of General Chairmen and Grand Officers representing Engineers, Firemen, Conductors, Trainmen and Telegraphers, was enabled, with the assistance from various sources, to have incorporated in the Act certain provisions intended to take care of the interests of the employees in the event co-operative measures, plans or arrangements are agreed upon by the Railways. Among such provisions is one intended to provide for the apportionment of employment as between the employees of the two railways.

Subsection (1) section 16, Part 11 of the Act reads in part—"They are further directed that whenever they shall so agree they shall endeavour to provide through negotiations with the representatives of the employees affected, as part of such measure, plan or arrangement, or otherwise, for a fair and reasonable apportionment as between the employees of the National Railways and Pacific Railway, respectively, of such employment as may be incident to the operation of such measure, plan or agreement."

The Conference Committee would like to receive from you the assurance that the Railways will make such arrangements as may be necessary, in the nature of advance notice to and opportunity for the representatives to participate in negotiations, to make effective the intent of the above mentioned section of the Act.

A reply at your convenience will be appreciated.

Yours truly,

J. B. WARD,
Chairman Conference Committee,
4348 Coolbrooke Ave.,
Montreal, Que.

B. L. DALY,
Secretary Conference Committee,
522 McIntyre Block,
Winnipeg, Man.

Montreal, Que., November 24th, 1933.

Mr. J. B. Ward,
Chairman, Conference Committee
of General Chairmen,
Montreal.

Mr. B. L. Daly,
Secretary, Conference Committee
of General Chairmen,
Montreal.

Dear Sir,—

Referring to your letter of October 26th regarding the legislation known as the Canadian National-Canadian Pacific Act, 1933.

The provisions of this Act are, of course, known to us and it should not be necessary for us to assure you that the Railways will be governed thereby.

Yours truly,

GRANT HALL,
Vice-President,
Canadian Pacific Railway Co.

S. J. HUNGERFORD,
Acting President,
Canadian National Railways Co.

TELEGRAM

Montreal, February 22, 1934.

J. B. Ward,
4348 Coolbrooke Ave., Montreal.

Implementing the Canadian National-Canadian Pacific Act 1933 with respect to co-operative measures, plans and arrangements for the purpose of effecting economies, a study of further pooling of Canadian National and Canadian Pacific Railway passenger trains has been made. As a result of this study it is contemplated, subject to approval of the Board of Railway Commissioners, that additional pool trains will be operated between Montreal and Toronto. There will be inaugurated at the same time pooled services between Montreal and Quebec. When the approval of the Board of Railway Commissioners has been received you will be notified of the changes in train services.

W. A. MATHER.

Montreal, February 23rd, 1934.

Mr. J. B. Ward,
4348 Coolbrooke Ave., Montreal.

Dear Sir:

With further reference to my telegram of yesterday.

I am now in receipt of advice that the proposed changes in train service have been approved by the Board of Railway Commissioners. Under this arrangement the pooling of through passenger train service will be extended effective March 11th, to include all through passenger train traffic in the following pool areas:

Between Montreal and Quebec.

Between Montreal and Toronto.

Between Ottawa and Toronto.

The following duplicate through trains in the pool areas will be cancelled effective the date shown above:

1st.—Between Montreal and Quebec—the afternoon and night trains of the Canadian National.

2nd.—Between Montreal and Toronto—the day trains of the Canadian Pacific now operating via Trenton.

3rd.—Between Ottawa and Toronto—trains between Ottawa and Bedell which formerly connected with trains 37 and 20.

Yours truly,

(Signed) W. A. MATHER.

CANADIAN PACIFIC RAILWAY COMPANY

Office of the General Manager, Eastern Lines

Montreal, March 1, 1934.

Mr. J. B. Ward,
General Chairman for Engineers,
Montreal

Mr. S. H. Carson,
General Chairman for Conductors,
Montreal

Mr. Hugh Richmond,
General Chairman for Trainmen,
Montreal

Mr. A. McGovern,
General Chairman for Trainmen,
Montreal

Dear Sirs:

Referring to our discussion of March 1st in reference to employment incident to the operation of pooled train services with the Canadian National Railways as set forth in my letter of February 23rd last.

As I informed you, this extension of the pooling arrangement will result in an approximate equalization as between the two companies in respect of the number of train miles to be cancelled and the number of pooled train miles to be operated by each company.

If in the working out of the arrangement the employees affected consider that the apportionment of employment incident thereto is not fair and reasonable as between the employees of the Canadian National and those of this company, this company will be very glad to join with the Canadian National in considering any representations which may be submitted on behalf of those employees of the two companies who may be involved and in endeavouring through joint negotiations to bring about a satisfactory adjustment.

Yours truly,

W. A. MATHER,
Assistant to the Vice-President.

Montreal, Que., March 2, 1934.

Mr. W. A. Mather,
Assistant to Vice-President,
Canadian Pacific Railway,
Montreal, Que.

Dear Sir:

We beg to acknowledge receipt of your letter of March 1st, addressed to the undersigned, setting out your position with respect to what is required of the railways before the pooling arrangement, as referred to in your wire of February 22nd, and letter of February 23rd, is put into effect. All of which is simply a reiteration of what you said on behalf of the company at our conference yesterday.

Part 2, Section 16, subsection 1 of the Act known as the Canadian National-Canadian Pacific Act 1933, reads in part as follows:—

They are further directed that whenever they shall so agree they shall endeavour to provide through negotiations with the representatives of the employees affected, as part of such measure, plan or arrangement or otherwise, for a fair and reasonable apportionment as between the employees of National Railways and Pacific Railways, respectively, of such employment as may be incident to the operation of such measure, plan or arrangement.

According to our understanding of the foregoing excerpt from the Act, the railways are obligated to follow a certain procedure before any plan, measure or arrangement for pooling of trains can legally be made effective. Request is therefore again made that you take the necessary steps to bring about a conference between the representatives of the railways and of the employees affected as contemplated by the Act.

We shall be glad to hear from you that such arrangements are under way, and in view of all the circumstances, feel it will be quite obvious to you why we shall expect advice from you in this connection on or before Tuesday, March 6th.

Please forward copy of reply to home addresses of Ward, Carson and McGovern, and to Mount Royal Hotel, Montreal, for Richmond.

Yours truly,

S. H. CARSON,
General Chairman O.R.C.
A. MCGOVERN,
General Chairman B. of R.T.

J. B. WARD,
General Chairman B. of L.E.
HUGH RICHMOND,
General Chairman B. of L.F. & E.

CANADIAN PACIFIC RAILWAY COMPANY

Office of the General Manager, Eastern Lines

Montreal, March 5, 1934.

Mr. J. B. Ward,
4348 Colbrooke Avenue,
Montreal

Mr. S. H. Carson,
217 Evelyn Avenue,
Toronto, Ont.

Mr. Hugh Richmond,
Mount Royal Hotel,
Montreal

Mr. A. McGovern,
58 Oakmount Road,
Toronto, Ont.

Montreal, March 5, 1934.

Dear Sirs:

This will acknowledge receipt of your joint letter of 2nd instant.

I enclose herewith to each of you copy of special Joint Circular No. 2, outlining the pooling arrangement and changes in train service incidental thereto.

I may state that the railways are prepared to comply in all respects with the provision of the statute to which you refer.

As I indicated to you in my letter of 1st instant, there is an approximate equalization in the train miles cancelled and the pooled train miles to be operated but, if in the opinion of the employees you represent the operation of the pooling arrangement described in this circular results in any unfair or unreasonable apportionment of employment as between them and the employees of the Canadian National Railways, this company will be quite ready to join in negotiations with the Canadian National and the representatives of the men's organizations on both systems to bring about a satisfactory adjustment.

I would suggest that, if you have any representations to make in regard to the matter, you should communicate them also to the representatives of the several classes of employees affected on the Canadian National whose concurrence would, of course, have to be obtained in any action that might be taken under the provision to which you refer.

Yours truly,

W. A. MATHER,
Assistant to the Vice-President.

[Mr. W. L. Best.]

JOINT LEGISLATIVE COMMITTEE
RAILWAY TRANSPORTATION BROTHERHOODS

March 10, 1934.

Hon. R. J. Manion, M.D., M.C.,
Minister of Railways and Canals,
Ottawa, Ontario.

Dear Mr. Minister:

Please accept our thanks for your courtesy in meeting the delegation of officers of the Railway Labour Organizations yesterday afternoon. It is the more appreciated when we know of the numerous demands upon your time, especially when Parliament is sitting.

In accordance with your suggestion to write you, we desire to confirm the representations made when we asked for your interpretation of the last clause of subsection (1) of Section 16 of the Canadian National-Canadian Pacific Act, 1933, and its application in relation to railway employees affected by co-operative measures, plans and arrangements for the pooling of services and facilities under this Section of the Act. Section 16, subsection (1) reads:—

16. (1) The National Company, for and on behalf of itself and/or any or all other of the companies and other elements of which National Railways as defined by this Act is composed, and the Pacific Company, for and on behalf of itself and/or any or all other of the companies and other elements, of which Pacific Railways as defined by this Act is composed, are, for the purposes of effecting economies and providing for more remunerative operation, directed to attempt forthwith to agree and continuously to endeavour to agree, and they respectively are, for and on behalf as aforesaid, authorized to agree, upon such co-operative measures, plans and arrangements as are fair and reasonable and best adapted (with due regard to equitable distribution of burden and advantage as between them) to effect such purposes. They are further directed that whenever they shall so agree they shall endeavour to provide through negotiations with the representatives of the employees affected, as part of such measure, plan or arrangement or otherwise, for a fair and reasonable apportionment as between the employees of National Railways and Pacific Railways, respectively, of such employment as may be incident to the operation of such measure, plan or arrangement.

It is our understanding that this clause was to ensure that, concurrently with and as a part of such measure, plan or arrangement for the purpose of effecting economies the railway companies shall endeavour to provide through negotiations with the representatives of the employees affected for a fair and reasonable apportionment as between the employees of the National Railways and Pacific Railways, respectively, of such employment as may be incident to the operation of such measure, plan or arrangement. In other words, whilst the first part of Subsection (1) provides a statutory direction to the railways to attempt to agree upon co-operative plans or arrangements for the purpose of effecting economies, the last clause of the Subsection also provides a statutory direction to the railways, as a part of such plan or arrangement to endeavour to provide for a fair and reasonable apportionment of the employment between the employees of the two railways making such plan or arrangement.

We understand the spirit and intent of this direction carries with it the implication that notice must be given to the representatives of the employees affected, with necessary details of any plans or arrangements for the pooling of traffic or facilities, sufficiently in advance to afford the representatives of the

employees a reasonable opportunity to agree upon an equitable apportionment of the work and, subsequently, meet a joint committee of the railways for this purpose.

In the case of the proposed pooling of trains between Montreal and Quebec and the additional pooling service between Montreal, Toronto and Ottawa recently announced, no official notice was received by the employees until February 22nd last when the Canadian Pacific first informed their representatives by wire that the approval of the Board of Railway Commissioners had been requested and as soon as such approval was received the proposed new services would be made effective March 11th. Although subsequent communications might indicate that the railways were willing to negotiate with the representatives of the employees respecting the apportionment of the work, we contend that the spirit and intent of this clause of the Act has been violated in that sufficient and appropriate opportunity was not afforded the representatives of the employees to negotiate with the railways, nor were necessary details of the new pooling arrangements furnished the representatives of the employees to enable them to duly consider the apportionment of the work incident to the new pooling arrangements.

As requested of you yesterday, we shall appreciate very much an expression of your opinion as to the intent and purpose of the last clause of Subsection (1) of Section 16 of the Act.

Thanking you in anticipation of a reply at your earliest convenience, I remain.

Respectfully yours,

(Sgd.) WM. L. BEST,

Secretary, Joint Legislative Committee.

Signed on behalf of the Vice-Presidents and General
Chairman of the Standard Railway Labour Organizations.

OFFICE OF THE MINISTER OF RAILWAYS AND CANALS

Ottawa, March 12th, 1934.

Dear Mr. Best:

I have received your letter of the 10th instant, and, as promised, I am placing the representations before the managements of the two railways at once and recommending it.

Yours sincerely,

(Sgd.) R. J. MANION.

W. L. BEST, Esq.,

Secretary, Joint Legislative Committee,
Railway Transportation Brotherhoods,
506 Birks Building, Ottawa, Ontario.

JOINT LEGISLATIVE COMMITTEE

RAILWAY TRANSPORTATION BROTHERHOODS

Ottawa, Ontario, March 20th, 1934.

Hon. R. J. Manion, M.D., M.C.,
Minister of Railways and Canals,
Ottawa, Ontario.

Dear Mr. Minister:

Referring to our letter of March 10th which confirmed the conference you accorded our delegation the previous day, you were kind enough to acknowl-
[Mr. W. L. Best.]

edge same, under date of the 12th instant, stating you were placing our representations before the managements of the two railways and recommending them.

As requested of you at our conference on the 9th instant and in the concluding paragraph of our letter of the 10th, we shall appreciate very much an expression of your opinion as to the intent and purpose of the last clause of subsection (1) of the section 16 of the Canadian National-Canadian Pacific Act, 1933. The members of the delegation you were kind enough to meet are very anxious to have this expression of your opinion at your earliest convenience.

Again thanking you for your courtesy and in anticipation of an early reply, I remain

Respectfully yours,

(Sgd.) WM. L. BEST,
Secretary, Joint Legislative Committee.

OFFICE OF THE MINISTER OF RAILWAYS AND CANALS

Ottawa, March 21st, 1934.

Dear Mr. Best:

I took up with Mr. Fullerton the matter you discussed with me, and I think the attached copy of a letter from him covers your request.

I also received your letter of March 20th, and I think this reply from Mr. Fullerton applies to this as well.

Yours sincerely,

(Sgd.) R. J. MANION.

W. L. BEST, Esq.,
Secretary, Joint Legislative Committee,
Railway Transportation Brotherhoods,
506 Birks Building, Ottawa, Ontario.

CANADIAN NATIONAL RAILWAYS

Montreal, March 20th, 1934.

Dear Mr. Manion:

I duly received your letter of the 12th instant enclosing copy of a communication from Mr. W. L. Best on behalf of the Vice-presidents and General Chairmen of the Standard Railway Labour Organizations giving their interpretation of the last clause of subsection (1) of section 16 of the Canadian National-Canadian Pacific Act, 1933.

Our officers are quite in accord with the view that the employees concerned should have the earliest possible advance notice of co-operative changes affecting their employment and particularly when the changes involve a distribution of work between the employees of the two railways.

Our officers are quite prepared to have, and in fact think it desirable that there should be, a joint meeting between officers of the two railways for the purpose of having a general discussion of the principles which it is desirable to follow in dealing with various co-operative measures.

Following such a meeting it might be possible to arrange for a small joint special committee of the employees' representatives to be constituted to

meet with the railways' joint co-operative committee when required. Such a committee, say of three, could be given advance information and consulted to an extent which would not be possible with a larger body.

Yours faithfully,

(Sgd.) C. P. FULLERTON,
Chairman.

Hon. R. J. Manion, M.D., M.C.,
Minister of Railways and Canals, Ottawa.

JOINT LEGISLATIVE COMMITTEE
RAILWAY TRANSPORTATION BROTHERHOODS

Ottawa, March 26th, 1934.

Hon. R. J. MANION, M.D., M.C.,
Minister of Railways and Canals,
Ottawa, Ontario.

Dear Mr. Minister:

Your favour of March 21st, enclosing copy of a letter from C. P. Fullerton, Chairman of the Board of Trustees of the Canadian National Railways, is hereby acknowledged.

We note that the officers of the Canadian National Railways are quite in accord with the view that the employees concerned should have the earliest possible advance notice of co-operative changes affecting their employment, and particularly when the changes involve a distribution of work between the employees of the two railways.

Inasmuch as your favour of the 12th instant intimated that you were placing our representations before the Managements of the two Railways, we shall appreciate having the views of the Canadian Pacific Railway Company concerning the subject. We are assuming that the letter from Mr. Fullerton expresses the views and desire of the officers of the Canadian National Railways, but does not speak on behalf of the Canadian Pacific Railway.

Thanking you in anticipation of a reply at your earliest convenience, I remain

Respectfully yours,

(Sgd.) WM. L. BEST,
Secretary, Joint Legislative Committee.

OFFICE OF THE MINISTER OF RAILWAYS AND CANALS

Ottawa, March 28th, 1934.

Dear Mr. Best:

I have received your further letter of the 26th instant.

I have not had any reply from the Canadian Pacific, but, as soon as I do, shall be glad to advise you.

Yours sincerely,

(Sgd.) R. J. MANION.

W. L. BEST, ESQ.,
Secretary, Joint Legislative Committee,
Railway Transportation Brotherhoods,
Ottawa Electric Building, Ottawa, Ontario.

[Mr. W. L. Best.]

OFFICE OF THE MINISTER OF RAILWAYS AND CANALS

Ottawa, Canada, June 12th, 1934.

Dear Mr. Best:

I have just received a letter from Mr. Beatty in regard to the matter you discussed with me, and am enclosing a copy for your information.

Yours sincerely,

(Sgd.) R. J. MANION.

W. L. BEST, ESQ.,

Secretary, Joint Legislative Committee,
Railway Transportation Brotherhoods,
Ottawa Electric Building, Ottawa, Ontario.

CANADIAN PACIFIC RAILWAY COMPANY

Office of the Chairman and President,

Montreal, June 9, 1934.

Hon. R. J. Manion, M.D., M.C.,
Minister of Railways and Canals,
Ottawa.

Dear Mr. Manion:

Referring to your letter of March 12th last, enclosing copy of a letter from Mr. W. L. Best, written on behalf of the Vice-Presidents and General Chairmen of the Standard Railway Labour Organizations as to the procedure to be followed in the carrying out of co-operative measures under the Canadian National-Canadian Pacific Act, 1933.

Upon receipt of your letter I instructed Mr. Hall to discuss this matter with you, and was later advised by him that he had outlined our views in conversation with you.

I thought it wise to withhold our final reply until the whole question could be considered by the Joint Executive Committee of the two railway companies, constituted for the purpose of carrying out the terms of the Act.

The matter was discussed at a recent meeting of the Committee, and the conclusion reached was that in order to give effect to the spirit and intent of Section 16 (1) of the Act, negotiations with representatives of the employees as to the apportionment as between the employees of the two companies respectively of such employment as may be incidental to the operation of any co-operative measure, should follow agreement between the Companies as to such co-operative measure, and approval thereof by the Board of Railway Commissioners, in cases in which such approval is required.

Yours truly,

(Sgd.) E. W. BEATTY,
Chairman and President.

APPENDIX "B"

RECOMMENDATIONS OF DOMINION JOINT LEGISLATIVE
COMMITTEE, RAILWAY TRANSPORTATION BROTHERHOODS

First. That all buses and trucks operating within Canada be placed under the control, administration and supervision of a transport commission (with like powers of the Board of Railway Commissioners for Canada) requiring operation under conditions similar to those imposed upon the railways, especially with regard to the fixing of rates, tariff charges, accommodation and facilities for passengers and shippers, etc.

Second. That immediate measures be taken for the elimination of destructive competition caused by duplicating highway services; the classified licensing of all commercial vehicles within prescribed areas; restrictions against the discontinuance of any licensed highway services without giving public notice and subject also to the approval of competent authority.

Third. That all common carriers using the highway for revenue purposes be taxed on a basis commensurate with the use they make of the highways, having due regard to the costs of construction and maintenance, including interest on bonded indebtedness.

Fourth. That owners be required to furnish guarantee of sufficient financial responsibility to ensure the payment of any claims for damages which may be legally assessed against them.

Fifth. That no bus or truck be permitted to operate on the highway for revenue purposes where adequate transportation facilities already exist, or where the steam railways can and are willing to provide these facilities.

Sixth. That in the interest of safety, operators of all motor vehicles be required to pass a qualifying physical examination, particularly regarding visual acuity, colour perception and hearing; also that restrictive measures be enacted to prevent excessive hours on duty of all operators of motor vehicles.

Seventh. That commercial motor vehicles be restricted to a reasonable maximum tonnage, limited to the hauling of but one trailer and also restricted to standard width of construction to be fixed by competent authority.

Eighth. That uniform legislation be enacted to ensure reasonable standards in regard to working conditions, including wages and hours of labour in highway motor vehicle operation; also safe and modern equipment for all such vehicles, together with adequate periodic inspection thereof.

Ninth. That early steps be taken to adjust any constitutional questions which may be involved in reaching a basis from which to formulate uniform regulations governing motor vehicles on the highways throughout Canada.

Tenth. That following this conference, early consideration be given to the desirability of constituting a board, committee or commission to carry on a continuous study of the ever-changing transportation problem with the primary object of conserving and protecting the human element involved; also to consider appropriate measures to safeguard, as far as may be practicable, the interests of all concerned.

APPENDIX "C"

1933 DOMINION-PROVINCIAL CONFERENCE RESOLUTIONS

1. This conference is of opinion that schedules of rates and charges of common carriers should be published, subject to such legislation as may be enacted in each Province.

2. The conference agrees that, within the schedules of rates as published, common carriers of freight shall accept and carry what is offered to them, without undue discrimination between customers.

3. This conference endorses the principle that common carriers of persons and property shall be suitably insured.

4. The conference agrees that common carrier operators shall keep accounts and shall render returns to appropriate public authority as and when required.

5. The conference recommends that legislation be enacted limiting the mileage or hours of labour of operators of passenger vehicles.

6. The conference agrees that, in the interest of public safety, a standard of fitness should be required of all public vehicles used in the transportation of passengers.

7. This conference agrees that operators of public passenger vehicles should require a medical certificate of physical fitness to operate such vehicles.

8. This conference is of opinion that a licence should only be granted to common carriers of passengers and freight where it can be proved to the satisfaction of the licensing authority that the service proposed to be rendered is in the public interest.

9. This conference believes that a Dominion inter-Provincial conference to discuss transportation matters should be held at least once each year.

APPENDIX "D"

1935 DOMINION-PROVINCIAL CONFERENCE RESOLUTIONS

REGULATION OF TRAFFIC

It was resolved to submit eleven recommendations which are set out below, and which refer only to vehicles used for the transportation of passengers and freight for hire which are specially licensed by the provinces for highway transport—taxi and delivery service vehicles not being included.

(1) That the Minister of Transport arrange to collect information regarding rates prescribed or charged by public carriers of freight and passengers in the various provinces and rates charged by the railway companies and communicate such information to the provinces to the end that a fair and equitable basis may be arrived at for the establishing of uniform rates for highway transportation of passengers and freight.

(2) That the principle that carriers of passengers and freight for hire shall be required to carry insurance covering all risks be endorsed.

(3) That operators of vehicles for the transportation of passengers and freight for hire be required to keep accounts of their operations and to submit returns to the provincial authority in such form and at such intervals as may be required.

(4) That legislation be enacted by the provinces limiting the hours of labour of drivers of vehicles used for the transportation of passengers or freight for hire.

(5) That in the interests of public safety a standard of fitness should be required of all vehicles used in the transportation of passengers or freight for hire.

(6) That in the interests of public safety a standard of physical fitness as evidenced by a certificate of a medical practitioner be required of all drivers of vehicles used in the transportation of passengers or freight for hire.

(7) That a licence should only be granted for the operation of vehicles for the transportation of passengers or freight for hire where it can be proved to the satisfaction of the licensing authorities that the service proposed is a public necessity and convenience.

(8) That every province establish a fair standard of wages to be paid to the drivers of vehicles used in the transportation of passengers or freight for hire.

(9) That with a view of securing a uniform act for all provinces covering the operation of vehicles used in the transportation of passengers and freight for hire the Department of Transport secure the legislation and regulations now in existence dealing with such vehicles and submit this information to the various provinces.

(10) That valuable services can be rendered to every province in Canada if a permanent committee consisting of representatives of the provinces be set up with a secretary established in the Department of Transport, whose office would collect and distribute data relative to legislation and regulations in effect or contemplated in various jurisdictions.

(11) That the principle of securing basic uniformity and comparability in the matter of road transport statistics be endorsed by this conference, and that instructions be issued to the Dominion Bureau of Statistics to proceed with the discussion of a detailed plan with the Provincial authorities to the end of meeting what has become both a provincial and national necessity.

I should like to direct particular attention to the recommendations made in appendixes "B", "C" and "D". They deal with the conclusions reached by the 1933 Federal-Provincial Conference; second, the representations made on behalf of labour, and in the last one the conclusion reached by the Federal-Provincial Conference of 1935.

At 1 p.m. the committee adjourned until the Senate rises this afternoon.

AFTERNOON SITTING

The committee resumed at 4.30 p.m.

The CHAIRMAN (Hon. Mr. Beaubien): Are you ready to go on, gentlemen? Mr. Best, will you take the stand? Colonel Biggar has a few questions to put to you?

Mr. W. L. BEST was recalled as a witness, and took the stand.

By Mr. Biggar:

Q. Mr. Best, where did you get the quotation on page 29 about the difference in the operating revenue for each employee in 1920 and to-day?—A. The Dominion Bureau of Statistics.

Q. But where? What publication? I will tell you why I ask. I have looked up the number of employees and the revenue as reported in the Canada Year Book of 1922-23, for the year 1920, and the number of employees is 185,177, and the total revenue \$492,101,000. This works out, as far as I was able to do the calculation, at somewhere about \$260 odd per employee. I worked out the corresponding figures for 1936, and I find that on the Canadian National and the Canadian Pacific there was a total of 131,200 odd employees, and total revenues of \$330,500,000, which worked out at \$252 per employee. In other

[Mr. W. L. Best.]

words, instead of there being the increase that that quotation gives there was actually a drop of \$13 per employee.—A. Perhaps the difference is in the calculation. You are calculating, as I understand it, the figures for the Canadian National and the Canadian Pacific only.

Q. Not for 1920. I took all the steam railways in Canada. That is the way it is given, at page 729, I think, of the Year Book for 1922-23.—A. These figures are supposed to cover all steam railways in Canada.

Hon. Mr. HAIG: Those could not be the figures.

By Mr. Biggar:

Q. It does not look possible.—A. The only answer I can give at the moment is that these figures were prepared by our statistician. He is not here to-day. The accuracy of them can be checked by the Dominion Bureau of Statistics.

Q. Very good. I will have that done.—A. We are willing to rest our case with the Dominion Bureau of Statistics. The figures are taken by our statistician from the reports issued by the Dominion Bureau of Statistics—I mean the annual reports of steam railways.

By Hon. Mr. Haig:

Q. Look at the figures yourself. Don't you think they are wrong? Just look at them. Don't you think they are wrong if a man in 1920 earned only \$79 and a man in 1936 earned \$326.

Right Hon. Mr. MEIGHEN: He earned that in respect of each man employed.

Mr. BIGGAR: I have done my best to check the figures, and they seem to me to be in the neighbourhood of \$250 and \$260 for the two years. I wondered where the quotation came from.

Hon. Mr. DANDURAND: Are the figures given by Mr. Best as to 1936 correct according to your own figures? There is a big jump.

The CHAIRMAN (Hon. Mr. Beaubien): You find here a reduction.

Hon. Mr. HAIG: In Great Britain, as we know by the Waters article, there was an increase of productivity of the men. It took four men in 1923 to do the work done by three in 1934.

Hon. Mr. DANDURAND: The witness has given his source, so this can be verified quite easily.

Right Hon. Mr. MEIGHEN: Oh, yes, but it cannot be right.

The WITNESS: May I interrupt to clarify a statement on the bottom of the same page you are referring to? During the reading of this Senator Haig, I think it was, questioned the accuracy of the statement at the bottom of page 29, which says:—

It is respectfully submitted on behalf of railway labour that if the interest on capital expenditures for unused power and rolling stock of the railways, or of unused plant or equipment in industry, due to depression or falling off of business, constitutes legitimate overhead charges against the consumer, it seems to logically follow that unemployed workers from similar causes should have an equally legitimate claim upon a larger share from industry as compensation for the loss of employment opportunity. Moreover, in any further co-operative measures involving labour displacement, definite provision should be made for equitable treatment to railway labour by compensation from the industry for any and all loss of employment opportunity.

What we stated was not an expression of opposition to what we recognize as a legitimate charge under the Railway Act. Interest on equipment, locomotives or rolling stock, is a perfectly legitimate charge. The only claim

Labour is making is that if a locomotive that I am running for a month is unused for the next month, the wages of the capital invested in that locomotive go on if it is in the shops, but if I am idle mine do not go on. Railway labour claims that they should go on just the same.

By Hon. Mr. Haig:

Q. My contention was this. The road pays dividends on some parts of the borrowed money, but on the capital part it pays nothing. There is no dividend paid by the C.P.R. or the Canadian National.—A. Every statement that has been made by a railway company to the Government has showed as a legitimate overhead charge—and they are supposed to show it—the interest on the money invested in rolling stock. That is done in every annual statement.

Q. But not on the money invested in the common stock, nor the money the Canadian people have put into the Canadian National.

Hon. Mr. HUGESSEN: The witness is talking about rolling stock, which is always financed by borrowed money.

Hon. Mr. HAIG: I know railway men in Winnipeg who have bought ten shares of stock and paid as much as \$1,500 for it. Some of that money went into rolling stock.

The WITNESS: The statement has no reference to stock held by employees or anybody else.

Hon. Mr. MURDOCK: That has nothing to do with this question.

Hon. Mr. HAIG: Certainly it has. There is one other thing I want to ask—

By Mr. Biggar:

Q. Now, the next point with regard to the figures that I was going to call your attention to was the relation of the figures on pages 31 and 32. I think either you have not put your case as strongly as it can be put, or that there is something wrong with the figures.—A. Which figures?

Q. Take locomotive engineers on the Canadian Pacific first. You say at the top of the page that in 1928 there were 3,750 of those locomotive engineers, and that a check of the lists revised as of 1938 shows 2,850 names.—A. Yes.

Q. Now, what exactly does that mean? Do you mean to say that of the 3,750 people who were on the list in 1928, there were still 2,850?—A. That is correct, Colonel Biggar. Those are taken from the seniority lists.

Q. There were 2,850 of the same men?

Hon. Mr. MURDOCK: No, not necessarily the same men.

The WITNESS: Not necessarily the same men.

By Mr. Biggar:

Q. That is the whole point to which you are directing yourself here.—A. But, Colonel Biggar, the statement also takes into account the retirements for all causes, and those who have come into the service.

Q. In that paragraph it says nothing about how many men came into the service.

Hon. Mr. ROBINSON: It does in one of the other paragraphs.

Mr. BIGGAR: It does in the two next paragraphs.

The WITNESS: My information is that there were no new engineers added to the list during that period.

By Mr. Biggar:

Q. That the whole 2,850 were on the list in 1928?—A. Yes.

Q. That is what I wanted to make clear, and what your memorandum [Mr. W. L. Best.]

does not say. Are you sure of that? The reason I ask you is this: I understood that the average age of locomotive engineers was now somewhere around 50.—A. I could not answer that offhand, Colonel Biggar.

Q. You do not know about that?—A. I could not tell you the average age, because if that information is right it is perfectly obvious that that list would exhaust itself in much under thirty-one years.

By Hon. Mr. Calder:

Q. Mr. Best, you state that in the year 1928 there were 3,750 names on that list, and that ten years later, that is 1938, there were 2,850. That means that you are telling us that not one single engineer was added for a period of ten years?—A. That is right.

Q. There was no promotion from fireman to engineer for a period of ten years?—A. No.

Q. That seems an extraordinary condition.—A. Let me illustrate that, Senator Calder. On the Manitoba district of the Canadian Pacific Railway on the first of this year—I am speaking in round figures there were approximately 1,000 locomotive engineer men, engineers and firemen, on the Canadian Pacific, on what is known as the Manitoba district, from the head of the Great Lakes to the Saskatchewan boundary. That is approximately the seniority district. In round figures, about 500 are locomotive engineers, promoted engineers, and about 500 are firemen, on the firemen's seniority list. Not one of the locomotive firemen had a job the first of this year at all, and the half of the men who are engineers were serving as firemen on the left side of the cab. In other words, there were not sufficient jobs on both sides of the cab for all of the engineers.

Q. It simply means that during the good years your list was swelled?—A. Yes.

Q. And that from then on down to the present time you have had sufficient engineers on that list to take care of all the work that was offering?—A. Yes. We have men in the locomotive service who have had 25 years of locomotive service, some of whom passed their examinations as engineers and have run locomotives, and have not a job to-day.

By Hon. Mr. Murdock:

Q. Have not a job firing, you mean?—A. No, have not a job firing.

By Mr. Biggar:

Q. You do give a figure, in the next paragraph, of 133, as being added to the Canadian National. The average age of the engineers must be getting very high now, if there have been no new ones added to the list, so far as the Canadian Pacific is concerned, and only 133, so far as the Canadian National is concerned.—A. That is information that I think can be secured accurately from the records of the company.

By Hon. Mr. Calder:

Q. The average age must be practically ten years higher than what you say there, if you have not added any for ten years.—A. You have a variety in the ages at which they entered the service. Some men who are being retired to-day probably started in at the work of a locomotive engineer at 17 or 18, and others started at 25.

By Mr. Biggar:

Q. But Senator Calder's point is that your average age has gone up ten years in the last ten years.—A. No doubt of that.

Q. That leads me to the other point that you have dealt with, about average wages. There is a point that is made against you by the public which I do not think is really met by what you have got in your memorandum. The point that is made against you by some members of the public—not by this Committee—is really this, that 30 years ago the average wage of railway employees, according to returns that were published by the Bureau of Statistics, was somewhere under \$500—I think the average figure was \$487—while the average wage of railway employees to-day is nearly \$1,400. I am not saying that that is not proper, but that is the point that is made against you. And what is suggested is that that increase is more than proportionate to the increases that have occurred in the same period in any other occupation.—A. Is it disproportionate to the productivity?

Q. That is not what I am asking. I do not think anybody has discussed that. But the figures that I have before me—and I have checked one of them, and imagine the other is easily checkable—show that in 1907 the total number of employees on the steam railways of Canada was 124,112, and the total salaries and wages were \$58,719,493, whereas in 1936 the number of employees was 132,781, and the total salaries and wages were \$182,638,364. Now, I suppose there has been a very substantial increase in the average wage of railway employees in the last thirty years, has there not? I am not saying it is too high now, but that increase has taken place.—A. In how many years?

Q. Thirty—from 1907 to 1936.—A. Yes. A substantial increase was made in the wages of what were recognized as low-paid railroad men when the McAdoo award was made. That was regarded as a levelling up. The well-paid men did not receive the same percentage of increase as the low-paid men.

Q. But there was an increase?—A. Yes, a very substantial increase for all the railway workers. I think there was a larger proportionate increase made at that time than at any other one time. I am speaking from memory now; I have not the figures before me.

Q. I think the figures can be checked. I have checked the 1907 figure.—A. I am advised, Colonel Biggar, that we can rest our case with the Dominion Bureau of Statistics, on the figures that have been submitted.

By Hon. Mr. Calder:

Q. But so far as those increases are concerned, your view is that the bulk of those increases took place in the lower wage schedules?—A. That is my impression, because there were a larger number of low-paid employees that were affected by a substantial increase. I think it can be said that the larger number were regarded as lower-paid employees at that time.

Q. Would you care to say that the percentage of increases in that field was larger than the percentage of increases in the upper field?—A. I could not say that definitely, no. Other officers have been handling the matter of wages and working conditions, and I have not been as familiar with that as some of the other officers.

By Mr. Biggar:

Q. The next point is this: You put the case of railway employees—I do not say too high, but very high, that is to say, that no change should be made in the way of carrying on railway service which would adversely affect any employees of it. If any change is made which involves the non-requirement of employees, you say they ought to be compensated?—A. Yes.

Q. Now you recognize, of course, that that is not true in any other kind of occupation in Canada. Whatever may be said for the soundness of the principle that each industry ought to take care of its own employees, it is not done in any industry in Canada at the moment, is it?—A. Not in very many.

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Q. Well, in any?—A. Well, I cannot give you an example of one at the moment. I think the answer to that is found in the \$308,000,000 we have spent since 1930 for relief.

Q. I am saying that on general principles a strong argument can be made in favour of each industry taking care of its unemployment.—A. We submit that is one of the practical steps in the direction of improving our whole national economy as well as the economic success not only of the railways but of other industries.

Q. That has been done to some extent in England and it is being done to some extent in the United States now, but in both cases, am I right in thinking that it is only on the basis of contribution?—A. The results of the new legislation in Great Britain are not yet a matter of public record. Only to-day I had a communication from England bearing on the legislation and the results.

Q. I am speaking of the legislation that is now twenty-five years old, I mean the Unemployment Insurance legislation that is twenty-five years old. That has been on the basis of contribution by both employers and employees ever since it was introduced.—A. Yes.

Q. And that is true of the new social security legislation in the United States?—A. Yes.

Q. Have you in mind that it should be a non-contributory guarantee against loss of employment in railways?—A. Non-contributory on behalf of the employees?

Q. Yes.—A. Well, we did not have in mind—

Q. What did you have in your mind?—A. We did not have in mind, Colonel Biggar, strictly an unemployment scheme.

Q. But that is compensation.—A. Yes; but it is compensation by the industry suggested at the bottom of page 29 in the paragraph I read.

Q. But on a non-contributory basis?—A. Certainly.

Q. I gather that applied equally to co-operation and to unification?—A. Yes.

Q. Now, as you know, both co-operation and unification are really directed to the elimination and waste and duplication, are they not?—A. Yes, largely.

Q. I do not quite follow how you support compensation for railway employees and not for other employees, because at page 14, in speaking of highway transport, you refer at the bottom of the page to "unfair and unregulated competition between railways and road operators is damaging, resulting as it does in waste and duplication of effort." Now, if the railway employees are to be compensated and taken care of, is it not also true that the same principle ought to apply to highway transport employees?—A. We would not deny them that at all.

Q. You would not oppose that?—A. No.

Q. If everybody comes under a scheme of that kind at the same time, you cannot limit it to one particular class of employees?—A. I think I can better answer that, Colonel Biggar, in this way. The first thirteen or fourteen pages of our submission are designed to suggest that the entire transportation field has that inherent weakness.

Q. I know; but I am not on that point.—A. I know. But the whole structure has been destroyed by reason of these new forms of competition, without the regulation imposed upon the railways and the railway employees.

Q. But you would not suggest there was not some waste and duplication in the railways, even regulated as they are?—A. No, I would not say that.

Q. What I am pointing out is this. You object to waste and duplication in the highway transport field, but you do not suggest compensation; and where

there is waste and duplication in the railway field, it must only be eliminated with compensation terms?—A. We had no brief on behalf of the employees engaged in other means of transportation.

Q. I think that is perfectly fair. You are really thinking of the railway employees, and not more widely?—A. Yes.

By Hon. Mr. Hugessen:

Q. And you were, Mr. Best, basing yourself to some extent on the already admitted provisions of section 179 of the Railway Act, which is an admitted principle?—A. Yes, the principle is admitted.

By Hon. Mr. Calder:

Q. But, Mr. Best, if that principle is to be applied to railway employees, how in the world will Parliament ever get away from applying it to other classes of employment in Canada? If on account of conditions, we will say, the development, for instance, of new machinery and other inventions, the industrial life of Canada changes, and men are thrown out of employment, as they would be, don't we get to a point where the State must take such measures as will provide every person so thrown out of employment compensation? Does it not really boil down to the fact that we must have unemployment insurance? That is what it comes down to.—A. Senator, we have got to the first part of it, to the part where we have seen the result of industry not carrying its burden as the result of technological changes. That is what we have tried to tell the committee, and as well that sooner or later someone on behalf of Canada must face this matter.

Q. I agree with you.—A. I know as well as any other taxpayer or representative citizen that we are just going from bad to worse, and the more technological changes we have the worse are the results. Where are they going, to the State? Or where else? The locomotive that pulls the transcontinental train out of here to-night has a hauling capacity equivalent to ten locomotives when I started to fire a locomotive forty-eight years ago. What is the answer?

Mr. BIGGAR: I agree with you.

Hon. Mr. CALDER: I think we will all agree with that.

The WITNESS: We have been watching those things down through a period of years. I am not saying there is not some employment, mind you, by technological improvement. We all know there have been hundreds and millions of dollars created by the newest forms of transportation. We recognize that.

By Mr. Biggar:

Q. But is not that your argument, either that technological unemployment ought not to go on, or industry ought to bear its share of unemployment?—A. Right.

Q. In other words, you are really making an argument for social security?—A. Yes.

By Hon. Mr. Calder:

Q. The position as I see it is briefly this, Mr. Best. Let us suppose—it is only a supposition—that this committee unanimously agrees on unification, and unification takes place. It means that hundreds, yes, probably thousands of men on our railways would be thrown out of employment. Your argument is to the effect that that should not take place unless these men are taken care of properly?—A. Yes, that is part of the argument.

Q. It is the gist of your argument?—A. Yes, it is.

Q. Our difficulty is that the same condition is existing in all industries in Canada. Depression comes, and an employer of 2,000 men has to lay off 1,000 of them, and there is no way of taking care of them. It all leads, in my mind,

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to the conclusion that there is only one way to take care of the situation, and that is how they are taking care of it in the United States and, I suppose, in Great Britain as well. You must have unemployment insurance in order to take care of a situation that grows out of those conditions. You don't mean to take the stand that progress must not go on?—A. No.

Q. That waste and unnecessary duplication should be allowed to continue. You cannot take that stand as a reasonable man. But you do take this stand, and it is reasonable, that when such a condition exists, and men are put out of employment, they must be properly taken care of?—A. Yes. I think, Senator, it is the ambition of every Canadian that as many men be kept in employment as possible. Immediately a man takes the first step away from self-reliance, it is harder for him to get back, and it is easier for him to accept relief and continue to be a recipient of it just after he has got off that path of self-reliance. The disastrous effect, as I see it, to our children and to our children's children in Canada is that there is going to grow up more people who are less self-reliant than you and I had to be when we started in at fourteen or fifteen years of age to make our living. That is the situation to-day, and we are helping to create that by tolerating the conditions that are going on in Canada to-day.

By Hon. Mr. Black:

Q. We all agree with your premises; but what do you suggest, Mr. Best, to overcome those conditions of unemployment in Canada to-day?—A. Well, sometime a serious malady requires a serious operation. I am not suggesting that railway labour or organized labour generally have always had all of the remedies, but they have for half a century or more been suggesting in this country certain remedial measures that have not been adopted. Possibly if some had been adopted, we would be in a better position to-day. I say this with a keen sense of the responsibility of myself and my colleagues that the public to-day cannot fully estimate, and therefore they cannot fully appreciate, the extent to which organized labour has kept down a movement which was inevitable on this continent—not only in Canada but on this North American continent generally. Had not certain things been done in the United States, there is nothing in the world that would have stopped what might have been a bloody revolution in Canada. That has been said by a lot of public men. We know that from inside information, not only from information accessible to the public generally, but gathered from our contact with men and women in this country and the conditions they are living under. These are things which you have to bear in mind when studying the question of the financial condition of the railways, which are only one of the larger employers of Canada. What affects our railways affects our industry, and what affects our industry affects our railways, and, in turn, the whole national economy.

By Mr. Biggar:

Q. I do not think anybody would really disagree with you there, Mr. Best. The difficulty is the practical application of those principles, is it not? I think you put your comparison between water transportation and road transportation with railway transportation perhaps a little too weakly, for we have before us at page 830 of the Proceedings of this committee an estimate of the amounts of public money that have gone into these various forms of transportation. The figure for water transportation is, roughly speaking, \$1,300,000,000, as against about \$4,500,000,000 for the railways, and nearly \$900,000,000 for highways. Would you suggest that we must treat the \$4,500,000,000 that has gone into the railways in the same way as we treat the money that has gone into water transportation, and not look for any return from it?—A. I think very much of it will have to be treated in that way.

Q. Where do you draw the line between what must be treated in that way and what should be treated in some other way?—A. That is a question, Colonel Biggar, that is very difficult for me to answer. It might require some technical figures to make an accurate answer.

Q. Don't you think that the loss—if it is a loss—of \$4,500,000,000 of savings put into the railways may have a social effect that is no less than the social effect of the loss of employment of a certain number of railway men, speaking generally now?—A. I don't know that I just get the purport of that question, Colonel Biggar, from the way you put it.

Q. We are told that, roughly speaking, \$4,500,000,000 has gone into our railway systems. Now, you tell me some of that should not earn any return, and some of it should. I ask you how much you would say each way, and you say you cannot tell.—A. I could not tell how much because—

Q. Suppose none of it earns any return, would you not agree that the social consequences of the loss on our railways of something like \$4,500,000,000 might be as bad as the loss of employment of a certain number of railwaymen by the elimination of waste and duplication?—A. No, I would not go that far.

Q. You would not go that far?—A. No, I would not go that far. The reason for that is that I think it is in the national interest to even subsidize and to continue to subsidize our railways even to the extent of \$40,000,000 a year, if it were necessary under our present unregulated competitive transportation in order to keep men employed and to keep purchased the materials which would be purchased by reason of their being employed. The turnover of \$1 twenty times in a year, I think some witness said, one can at least imagine the value that has to the communities in which those men live by spending money that otherwise would be denied them. The question immediately arises, where would the money be if you pulled up a thousand or 5,000 miles of railway and threw out another 50,000 employees?

Q. Of course we are talking about the elimination of waste and duplication, and Sir Edward Beatty has pointed out that so far as unification is concerned the chief elimination would be directional and supervisory staffs.—A. Yes, but as you know, we didn't require any Canadian National-Canadian Pacific Act to permit the railways to co-operate. For instance, in the city of Ottawa, the city of Saint John, Halifax, Regina, Toronto, are joint projects entered into long before.

Q. I do not want to press you about the question of capital, but you do quote a passage in which you say earnings of the employees ought to go on, and capital ought to have its return reduced; that is, the people who made savings ought not to get any return on them.—A. That clause had no reference to returns in that way. It had reference only to what is recognized as a legitimate charge against operating expenses.

Q. Your memorandum deals all the way through with the impropriety of economies, and on page 28 you use the term "indiscriminate economies." By that you mean economies properly made from the point of view of running a railway, but improperly made from the point of view of the railway employees. Is that the meaning of that expression?—A. What we tried to make clear was that it was unfair to throw more men out of employment merely to pay a dividend.

Q. Would it not be wise, then, to double the amount we pay for railways here and increase the services? It would add to the convenience of the public, and would increase employment. On what ground would that not be wise?—A. We might have more traffic if we did that.

Q. I agree. But how do you distinguish between that and keeping the thing at the present point? Why must it be just what is now being done, and

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neither more nor less?—A. It is difficult to answer that question just in a yes or no. I think we have made clear—we have endeavoured to make clear—what we believe to be an economic folly to throw more persons out of employment.

Q. And you are not satisfied with Sir Edward Beatty's suggestion on that point, eh? You speak about it as "a vague suggestion." Were you referring to the passage in his evidence before the committee, at page 543, where he says: "I should like very much to be able to offer some definite promise concerning the extent of this compensation," and so on, and then concludes by saying, "For my part, I could not consent to any plan of unification which did not include adequate provision of this nature." Do you regard that as unsatisfactory?—A. Yes.

Q. Because?—A. There is nothing definite. We are unable to appreciate—

Q. What would you regard as a definite proposal?—A. It would be something setting out a plan of how the compensation would be accorded to displaced employees.

Q. Can you give the committee any idea of what kind of plan?—A. No, it is not our proposal.

Q. I am asking if you could give the committee any idea of what kind of proposal would be satisfactory.—A. I think that has been made fairly clear; it is adequate compensation for those who are displaced.

Q. That is what Sir Edward Beatty says. What is the difference between you?—A. We are still apprehensive, and the railway employees of both railways are apprehensive still, notwithstanding the assurances given. If so many men have been thrown out of work for various reasons from 1920, or even 1923—

Q. Oh, yes, but we are talking about the future. Don't go back to ancient history. The point really is that Sir Edward Beatty says he would not agree to anything that did not involve adequate compensation to the men displaced. You have just told me you want adequate compensation for the men displaced. What is the difference between you?

Hon. Mr. MURDOCK: Don't you think you should read the previous paragraph of Sir Edward Beatty's statement, where he said:—

I am confident that, where every effort fails, and any man loses employment, public opinion will support the management of the unified system in providing adequate compensation to assist those displaced in becoming re-established in other employment.

That was his proposal.

Mr. BIGGAR: He said in terms, in the last line, he would for himself not agree to any proposal that did not involve adequate compensation; and Mr. Best tells us he thinks there ought to be adequate compensation. I want to find out what is the difference between the two.

Hon. Mr. CALDER: It might be the difference in their views as to the meaning of "adequate."

The WITNESS: I was just going to answer in that way. I am quite sure the manager of either railway would have an entirely different interpretation from the employees of what is meant by "adequate compensation for displacement," and we must be guided in our views by the past, and what has happened since the Act came into effect.

By Hon. Mr. Dandurand:

Q. The Act of 1933?—A. The Act of 1933. There has been no attempt to suggest anything up to this point. And why? That is what railway employees who have been accepting relief for their families, who were formerly employed, are asking—why the promise now? They are fearful that the proposal for unifica-

tion, which has caused so much insecurity for them, is going to put more men on the street. They say, "If we were not compensated, are we going to swallow it now?" That is what they are saying to us, and in strong terms.

Q. Sir Edward Beatty, you remember, violently opposed the Act of 1933. It was not put forward by the Canadian Pacific, so your attack now, I suppose, is on the people that put that Act forward in its present form. Is that it?—A. I should not like to interpret our position as an attack. We are on the defensive. We are not attacking anything.

By Hon. Mr. Haig:

Q. Take the Manitoba division. Let me remind you that in Great Britain in 1923, under unification legislation they set out that 70 per cent of the men employed were reckoned to be permanent employees, and 30 per cent were only what you would call temporary employees; and they provided fully for the 70 per cent and indicated certain things for the 30 per cent. Now, in the Manitoba division you told us that there were about 1,000 enginemen and about 1,000 firemen who were qualified enginemen, but normally firemen.—A. I didn't mean to convey that. I meant to convey the idea that there were approximately 1,000 enginemen on the seniority list, about half of whom were firemen, and half engineers.

Q. They were qualified enginemen?—A. Not all.

Q. But in 1928 how many were qualified enginemen?—A. In 1928 there were 666 engineers and in 1938 there were 531 engineers.

Q. Yes. And how many firemen?—A. I haven't the firemen here, sir.

Q. How many of those 531 engineers are working as engineers?—A. I couldn't answer that.

Q. What I want to get at is this. You say that in the 1933 agreement you understood, and the men understood, that if there was any displacement by co-operation they would be taken care of, and now you are afraid of Sir Edward Beatty's suggestion for unification because the same idea underlay the other action and you were unprotected, and under this one you would be unprotected. Now, assuming that we can put into legislation the language wanted to fully protect the men working for the railway—

Right Hon. Mr. MEIGHEN: As was done in England.

By Hon. Mr. Haig:

Q. —as was done in England, how many men on the Manitoba division would be qualified to come in under it? Half the enginemen and firemen are not working to-day. Where do they come in? If Sir Edward Beatty is right, under unification, suppose we take off 20 per cent of those that are working and assuming that we can draw laws as well as they can in England, we should protect the men working now; but what about the men that are not working now?—A. We could answer that more intelligently if we saw a plan.

Q. Assuming that you and I are drawing a plan, leaving Sir Edward Beatty out altogether. Make it as cast-iron as you want to. What would you do with the men who are not working now? Assuming there are 500 engineers or firemen working on the Manitoba division of the C.P.R., and supposing that after unification there are only 400, I can draw legislation to protect the other hundred. But what about the 500 men on the seniority list that are not working now?—A. Well, Senator Haig, you probably have gained the impression from what I said that those 500 men are permanently out of work all the year around. That is not quite true. A large number of those men are seasonal men.

Q. Three months, do you mean?—A. Their employment throughout the year depends largely on the traffic that is created for them.

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By Hon. Mr. Calder:

Q. If we have a good crop they will all be employed?—A. As Mr. Fairweather said, our trouble would be all over if we had a crop like that of 1915. All our facilities would be pretty well taken care of until navigation closed down.

By Hon. Mr. Haig:

Q. In Britain they did not protect that kind of labour. They protected the 70 per cent that worked the year around. Do you want the whole 100 per cent included for twelve months in the year?—A. I can only answer in this way, that we have been careful about estimates. All we can deal with is facts in the past. And when we see 50,000 railway men shifted from one period to another and we do not know where they are, apart from being a representative of organized labour, as a Canadian I say, "Where in the name of common sense are they?" If we had 178,000 in 1928 or 1929, and according to the Bureau of Statistics we had on the two systems 125,300 as a monthly average for 1937—the monthly average was 125,103, I think, to be accurate—where are the men between there?

HON. MR. CALDER: But there has been a natural depletion of a certain percentage. You are talking of a ten-year period, and the natural depletion would take care of a certain number.

By Hon. Mr. Haig:

Q. I want to know what your suggestion is about these men who are temporarily employed.—A. I have not any now. I am not so sure that the men in Great Britain are satisfied with their statute.

HON. MR. MURDOCK: Why should these men be pinned down to a declaration of some proposed future policy when both of the railway managements have intimated to this Committee, not once but repeatedly, that there were certain questions that they could not give details about?

The CHAIRMAN (Hon. Mr. Beaubien): I think that if Mr. Best were to tell us that he has no authority to answer, or does not wish to answer, that would be all right.

The WITNESS: Mr. Chairman, I would be delighted to answer if I could, but I would be very unwise on behalf of our group to attempt any estimate, because we do not know what the future holds.

By the Chairman (Hon. Mr. Beaubien):

Q. You cannot answer Senator Haig any further on the point that he asked you?—A. No sir. I would be very glad, if I could.

HON. MR. CALDER: We have had evidence of the co-operative efforts that have been made during the last two or three years. As a result of the agreements reached, labour has been affected. And now, Mr. Best will likely know how the displacement of labour resulting from the co-operative arrangements has been taken care of. Personally, I should like to know that.

MR. BIGGAR: Can you answer that question, Mr. Best?

HON. MR. DANDURAND: For instance, the effect of pooling services between Montreal and Quebec and so on.

By Hon. Mr. Calder:

Q. That is a very good illustration. Trains between Montreal and Toronto, for instance, were pooled.—A. Between Ottawa and Toronto first.

Q. There must have been a certain number of men put out of employment. How were they taken care of?—A. My information is that there were approximately 135 men—I have been told that there were more—thrown out

of work, who got no work afterwards at all, unless temporary work afterwards came up, that is by displacing trains that had been operating previous to the putting into effect of this pooling arrangement.

Q. In other words, their names were simply put on the list to be available if called upon, if there was work for them?—A. Probably some of them would be, yes.

Q. And so far as compensation is concerned, they got none?—A. No, there is no provision for compensation. I think the only complaint we made in regard to that was that our understanding of section 16 had not been carried out in the spirit and letter of at least what was our understanding, namely, that they should first be consulted before the Board of Railway Commissioners had been asked for the approval of the plan.

By Mr. Biggar:

Q. That is one of the points to which I was going to direct your attention. Apparently the officers of the two railways have had a good deal of difficulty coming to an agreement themselves as to the propriety of the proposals for making economies. Now, suppose that your organization had been represented at the discussions between them. And suppose that you were at a meeting of the Joint Co-operative Committee at which it was decided that as far as they were concerned, the engineers or traffic officers of the two companies, certain trains between Quebec and Montreal should be eliminated, that the services should be pooled. What would have been your attitude with regard to the displaced employees? What could you have said then that you were not able to say afterwards?—A. Well, legally, probably we could not say very much. We had no legal claim for compensation.

Q. But I mean practically, you could not have said then, "You must not pool, because that is going to let out 135 men." What could you have said?

Hon. Mr. HUGESSEN: It think I can answer that for Mr. Best, Colonel Biggar. It is right in his memorandum, at the bottom of page 40:—

If, in the judgment of those in authority, there must be further co-operative measures, effect to such action should not be taken unless and until provision is made whereby labour's interests are protected and compensation for loss. In the consideration of any such measures, railway labour will be found ready and willing to sit down with others concerned and give sympathetic consideration to all practical and humane proposals submitted.

By Mr. Biggar:

Q. It was really on that point that I was asking an explanation of the memorandum. What does sympathy mean? What would have been the attitude of the representatives of railway labour in the face of that situation, if the railways had agreed to pool those trains?—A. I will be frank in saying this. You are speaking, as I understand it, of what has taken place—

Q. I am asking you that as an example.—A. You are speaking of what has taken place in the past. Had the representatives of railway labour been accorded the privilege of sitting down with executives of the railways and had the executives agreed on a certain proposal which involved throwing 100 men out of work, having regard to the absence of any specific provision in the Act to compensate those who were thrown out of work, there would be only one logical position for representatives of the employees to take.

Q. And that would be—A. That would be to say, "Don't put it into effect." We would not have hesitated to say that.

Q. The sympathy that Senator Hugessen has referred to, in reading from your memorandum, would really take the form of your saying, "Don't do it"?—

[Mr. W. L. Best.]

Hon. Mr. HUGESSEN: No; they would say, "Compensate us."

The WITNESS: Speaking of the future, I am expressing our willingness to sit down and consider proposals, if they are humane. But if dollar bills are so close to people's eyes that they cannot see the human element, well, all right, we are probably going to oppose the proposition.

By Hon. Mr. Calder:

Q. The depression hit us in 1929 and it got worse and worse. Both railway companies, without anything in the nature of co-operation at all, began to throw their employees out of employment by the thousands. Would you claim that they should be compensated under those circumstances as well? And that took place in every industry in Canada. There is not an industry in Canada in which that did not take place during the years 1930, 1931 and 1932. After all, so far as Parliament is concerned, we cannot consider this in connection with one class alone. We have to consider all the people of Canada. We have a practical situation that faces us. I thoroughly agree with your viewpoint that there is a condition there that is not taken care of at all. But when Parliament comes to take care of that situation it has got to deal with all the circumstances. We cannot deal with it piecemeal. You are quite right in dealing with your own side of the story, but there are other sides to it.

By Hon. Mr. Haig:

Q. There is one other question that bothers me. You have not emphasized it as much as I thought you would. What about the skill required in your occupations? Not all of your men, but a great many of them, are skilled, and after twenty or twenty-five years at the same line of work, are they qualified to take any other kind of job?—A. Some men would be, but a man who has put in twenty-five or thirty years in doing nothing but locomotive work, or running a train, or as a train despatcher or operator, his mind is pretty well taken up with that work. He might be qualified and might be able to adjust himself to some other work.

Q. It is a specialized line of business?—A. Yes. And besides the door of opportunity is now closed to him.

Q. You did not mention that in your argument, and I wonder why you did not, because that is a thing that appeals to me.—A. We were afraid to overload it too much. We made it comprehensive. There is, I think, a lot of valuable information in it for the Committee. We really wanted to be helpful to the Committee, and we put in a lot of valuable information that is in the public records, and yet I thought that was bearing directly on the situation into which you are inquiring. We thought that your attention should be called to that, and that is why we devoted a good deal of time to that, and therefore probably left out a number of other important items that might have been covered.

By Right Hon. Mr. Meighen:

Q. I hope you will try to follow me, Mr. Best. Sir Edward Beatty stated that his company would agree to no plan of unification that did not provide adequately for those thrown out of work. And I know that the Committee, every member of it, is very anxious to provide as adequately as can be done for them. But you are afraid it will not be adequate enough. Now, in that connection, do you think that the labour you represent should be treated differently from other labour, from other classes of labour? Do you think it should?—A. That is a very pertinent question, Senator Meighen.

Q. It is a tremendously important question that I fear sometimes you forget.—A. No, we are not forgetting it. But we have a specific responsibility, in addition to being representative Canadians, and that is to our own organization.

Q. If it is impossible to provide for those similarly situated as you would like to have your own class provided for, would you then insist on that for your own class?—A. We are not agreeing that it is not possible.

Q. Well, I will give you an instance. Alberta and Saskatchewan have passed laws lately which, I should say, would virtually put 75 per cent of the lawyers of those provinces out of business. They have nothing more to do. Was any provision made for them? Was it possible to make any, or was it sane to make any? None whatever. They had to shift for themselves the best they could. Now, in your field, is it quite fair to insist on adequacy of compensation to that 100 per cent extent that you want, when nobody else gets it in this country or in any other country on earth? That is only one instance. I could pass to others by the score. You referred to the divisional point at Big Valley, and you said there should be adequate compensation for the men affected when that was done away with, in part or altogether, as a divisional point. Now, why? Were the merchants who started stores there on their faith in that divisional point compensated? Were others who established services there, such as doctors, compensated? Should they not be compensated in at least some small degree, if the railway men get 100 per cent compensation?—A. We think they should be.

Q. They should be?—A. Yes.

Q. Now, Mr. Best, do you for a moment suggest that the country can do that through its length and breadth, or come within a thousand miles of it? Do you think it can be done?—A. I think they can make a start.

Q. You think they can make a start?—A. Yes.

Q. You think they should be compensated 100 per cent? Do you seriously look at me and say that can be done? You know better, Mr. Best.—A. It might not in part.

Q. It cannot be done here even. We have never even tried it. We are trying it with you, but you say, "Unless you go along 100 per cent with us fellows and feather-bed us, we will stand in the road and won't permit any economy." That is the stand you are taking?—A. I am not prepared to accept the gospel that "it cannot be done."

Q. I wish you had the job of doing it. That is the job we have.—A. Yes.

By Hon. Mr. Horner:

Q. There was a great amount of labour displaced when the railways were built. Many of the men had a desperate struggle to live. They had built up their homes and equipment, but they did not receive a 5-cent piece as compensation. They took it as the price of progress.—A. But there again at the time that happened many of those men, those construction men, had hundreds of avenues and scores of opportunities open to them that have since been closed.

By Right Hon. Mr. Meighen:

Q. And do you know why they have been closed, Mr. Best? They are closed just because we have gone so far on the road you are shoving us now doing these things that our taxes are at a height at which enterprise is strangled, and therefore people cannot get jobs now because the jobs are not there. While you are talking of the human element being thoroughly provided for, you are starving the human element at the other end. It cannot get a job. That is what you are doing, you are starving the human element on the other side of the picture.—A. I cannot see that.

Q. That is the trouble, you cannot see it, but it is the fact.—A. We are trying to see it.

Q. The human element is lying out there in tens of thousands unemployed because of the level of taxation, this governmental generosity here, there and everywhere, and other mistakes as well, have brought us to a point where industry will not get busy.

[Mr. W. L. Best.]

By Hon. Mr. Horner:

Q. I have studied and watched this question for a number of years as a large shipper and, indirectly, a man who helps to pay railway labour its wages. I represent a class that pays more freight than any other class in my province. In the years of good crops what were the earnings of the farmer in the West? In many cases not one solitary cent. I have known of a farmer shipping a carload of barley and having to send money to pay the additional freight, the price he received for his barley not being sufficient to meet the expenses of transportation. What compensation did he receive? What was he able to pay his labour that worked four hours after the section man even on the railway returned to his home in the evening? I am going to suggest this to you, Mr. Best, in all kindness, and your figures substantiate what I am going to say. I know it does not correspond with the rates of pay, but the actual earnings of your men show me one thing. There are at the present time thousands of men holding on expecting to secure some employment on the railways, but for whom there is no employment. Let me put the picture this way. It is true, as you have mentioned, we are anticipating a bigger population to-day. But the business of Canada can only produce sufficient revenue to pay the salaries of a certain number of railway employees. In other words, if I have a dairy farm, and I make the conditions of labour for my truckers more attractive than those of my farm help by paying the truckers five times more wages, providing them with pensions, and reducing their time to eight hours a day, while I work my men on the farm ten hours a day, and pay them one-quarter the wages of the other men, naturally everybody would want to drive a truck, and there would be nobody to make a living for the railway employees. All the men have lost the pioneering spirit of our fathers. There are still free farms to be had, but men are not content to become pioneers and relinquish their railway jobs. They should be glad to make a contribution to the water through instead of being so ready to empty it. The rate of wages and the retiring allowances or pensions are out of all proportion for railway labour as compared with what is paid in other branches of labour throughout Canada.

Some Hon. MEMBER: What is the question?

By Hon. Mr. Horner:

Q. Do you not believe, Mr. Best, there are more men employed, and wanting to be employed, on the railways because conditions are so much better there than in other lines of work?—A. That is not only so in railway work, Senator. The railway men are not responsible for the exploitation of the agricultural worker or producer. I was brought up on a farm myself. Blame someone else for the exploitation of the agricultural worker, not us.

Q. I know millions of feet of lumber and thousands of cords of wood have been made available to the railway to be hauled, but only because the men were content to work for very small wages in order to produce revenue for the railways. That is the only way it can be done.

By Hon. Mr. Gordon:

Q. Mr. Best, we are old friends.—A. Yes, Senator.

Q. Sometimes we find it hard to distinguish between the true friends of labour and the other fellows, don't we? Now, I want to take a hypothetical case. Here are two manufacturers making a certain commodity side by side, and they find they are losing money, and eventually they will become bankrupt. We will say that each employs 1,000 men. If they become bankrupt 2,000 men are out of employment. However, one of those manufacturers has an idea that would furnish employment for 1,700 men and enable them to continue their operations. Now, is it not better to keep 1,700 men in employment

rather than dispense with the 2,000 men? The situation here, to my mind, is something similar. We have a railway company that is really bankrupt—there is no question about that—and the other railway company comes along and suggests ways and means by which many thousands of railway workmen may be kept at work. But if things go on as they are going on to-day, it means not only bankruptcy for both railways, but perhaps for Canada as well. Now, who is the friend of labour, the one who is trying to keep many thousands at work, or the one who would lose the whole of it? That is the point.

Hon. Mr. CALDER: I would answer your question, Senator Gordon, by saying that labour has recognized that situation and it took a cut of 20 per cent in wages for years.

The WITNESS: Senator Gordon, in addition to what Senator Calder has said, I think we stated in our brief that we thought it advisable, because it was due the men who made sacrifices during the terrible years of depression, that no class of citizens in Canada did more to share their work with their fellow workmen than did our railway employees. To that extent they kept their fellow workmen from being recipients of relief, and to that extent also they saved the taxpayers of this country a corresponding expense in relief.

Now, Senator Gordon, the same thing is true of many leaders of industry. They have kept their men on in the hope that good times are around the corner, and they did not want to lose their employees. It is to their lasting credit that they kept their men, even though they had to go into their bank account in order to maintain their staffs. But it was a question where industry was co-operating with the workmen to try and maintain purchasing power. That was the wisest economy that ever was attempted, because they were renewing purchasing power. After all, it is the reduction of purchasing power that is at the bottom not only of our railway troubles but of everything else. I don't know whether it is going to continue. We have our opinion. But we have got to have more purchasing power. If, however, it gets into the hands of the few, there is only one thing to do, and that is to keep on subsidizing the railways or paying for relief. We are not asking for relief. I say it is better to subsidize the railroads and at the time keep that money in greater circulation, than if you give it to two or three people.

By Hon. Mr. Black:

Q. Mr. Best, I have followed your argument, and I am not disputing what you say. I think it is natural and proper for labour organizations to defend their position. But this must occur to you, Mr. Best, that the time may come when the other means of transportation are going to put the railways down to that low ebb of earning power that they will not be able to employ all these men. When that time comes—and it may be approaching more rapidly than we think—all the employees so displaced will have to seek some other employment or be taken care of under some scheme of government annuities or old-age pensions. You can visualize that. For instance, suppose in the next ten years the total traffic of both railways decreases by 50 per cent. That is not inconceivable by any means. If it does decrease to that extent, the railways will not be able to give employment to as many men as at present. If, however, they did, the C.P.R. would be bankrupt. The Canadian National, our own road, has been bankrupt for many years, but we are keeping it going by making good its deficits. You must bear in mind, Mr. Best, that the time may come when you cannot expect the railways to employ just as many men as they have now: you admit that, don't you?—A. Yes, Senator Black—

Q. But you want provision to take care of those men when that time arrives either by pension or by some other satisfactory arrangement?—A. What you have stated has been taking place for the last twenty-five years.

[Mr. W. L. Best.]

Q. You cannot blame the railways for that.—A. Technological changes. We say we are not standing in the way of that, but it is creating a condition. What has been referred to so frequently is what has been done in the Old Country. We have been making some study of what has been happening in the Old Country.

Q. So have I.—A. The positions of Great Britain and Canada are not comparable at all. By one legislative Act Great Britain can say to every transportation agency, "You do thus and so." Just as we have been saying to the railways ever since the Railway Act was passed in 1904 or 1906. The Government does the same thing in Switzerland, and in all the other countries in Europe practically. For instance, the Swiss Government says to a bus company, "You cannot operate in competition with our railway, because it properly serves the community." We cannot do that here. Why cannot we do it here? Simply because people are sitting back in a little narrow groove and saying, "Our Fathers of Confederation made a pact away back in 1867. And don't you touch it, whatever you do!" It is like the laws of the Medes and the Persians. You must not give legislative competence to the Federal Government to deal with national problems. Consequently the Federal Government cannot deal with this problem.

Q. I was not arguing along that line. I want you to admit—I think I do—that as the opportunity of railway employment gets less and less, assuming it does, what you argue is that reasonable compensation should be provided? You would not go to the railways and say, "While you need only 1,000 men, you must employ 5,000?" That is not your attitude?—A. Of course, our request for compensation has been made clear.

Q. I thought in answering Colonel Biggar you were taking the other attitude, and I do not think you intended to do so.

MR. BIGGAR: Yes. I thought Mr. Best was putting it this way, that where you have a depression, as you have now, the best way you can deal with your unemployment service is to do it through organizations like the railways.

HON. MR. BLACK: Yes.

By Hon. Mr. Black:

Q. I thought you were giving a wrong impression in reply to Colonel Biggar. I do not think you mean that where the railways need only 1,000 men they should continue to employ 5,000. You don't mean that at all?—A. No. But I think I should say this, Senator Black, before you go on the next point. Our climatic conditions and our variation in agricultural production are two very, very strong factors in the continuity of service of the railways. Climatic conditions particularly make it necessary to maintain railway transportation, whether at a loss or not, in many parts of Canada. That must be accepted, I think, as a fact.

Q. We would not argue that at all.—A. Now, as to the other factors supplying sufficient traffic to make the railways pay all the year round. If competing agencies can operate seven months or five months throughout the year, depending on those climatic conditions, the longer they can operate without being regulated the less revenue the railways will have. That is clear.

By Mr. Biggar:

Q. There was one other point. It deals with your submission, pages 42 and 43. Under your submission, No. 7, you indicate, on behalf of those you represent, an opposition to what has been described here as compulsory co-operation?—A. Yes.

Q. And then, under No. 3, you say that whether there is co-operation or unification there should be compensation?—A. Let me answer the first one, Colonel Biggar.

Q. I am calling your attention to these three. Then, under No. 6 you indicate an opposition to unification, even with compensation, on the ground that it is contrary to human and national welfare. What I was interested to ascertain was this: How do you distinguish between economies by co-operation and economies by unification?—A. We are not trying to distinguish.

Q. Then you are opposed to economies of either kind?—A. Unless there are compensations.

Q. That is the reason I put the point as I did. You say in No. 3 you are opposed to either co-operation or unification without compensation, and in No. 6 that you are opposed to unification on the ground that it is contrary to human and national welfare. I am asking what is the distinction between economies by co-operation and economies by unification that you make?—A. We are not distinguishing, because I find by the record that most of the witnesses have said there is no difference between them.

Q. That is the reason I wanted to know why you did not include an opposition to co-operative economies in No. 6, equally with economies by unification. The point is this, really, an omission from No. 6. You are opposed to economies on either ground?—A. In No. 6 we are dealing only with the question of maintaining the two railways, similar to what we submitted in 1932.

Q. I want to know why you make that distinction, because Sir Edward Beatty has pointed out at page 538 that if you carry co-operation to the limit you have unification, except that you have two supervisory staffs. In other words, Labour suffers and supervision does not.—A. I think it is covered in the subsequent paragraphs if it is not covered in No. 3. No. 3 covers the question.

Q. Neither of them without compensation, I agree; but why only unification in No. 6? Are you equally opposed to co-operation as opposed to human and national welfare?—A. That would entirely depend.

Q. On what?—A. On what the measures are. There may be some co-operative measures that are necessary.

Q. Are there any measures of unification that may be equally unobjectionable?—A. We are dealing with the whole principle of unifying the railways.

Q. Tell me, what is your reason?—A. Because the railway is too large for one management. You will lose one of the greatest assets. The officers will not be close enough to the employees; in fact, they are too far away now; and the relations on all railroads in Canada are, I think, the best anywhere in the world.

Q. Do you think there would be a very substantial difference in that respect—the intimacy of Sir Edward Beatty or Mr. Hungerford with the members of the running unions?—A. It is the carefully considered opinion of railway labour that you would destroy one of the greatest assets the railways have, if you placed 42,000 or 43,000 miles of railway under one management. You would destroy the morale.

Q. Is there any other reason for distinguishing between co-operation and unification?—A. I do not know that. I haven't any reduced to writing.

Q. You don't think of any?—A. Not just at the moment. But, Colonel Biggar, I wanted to say why we make this statement in No. 7 with regard to—

Q. Compulsory co-operation?—A. Yes. No such power should be given any government authority which would arbitrarily force upon one railway a co-operation or unification measure for line abandonment proposed by another. It ceases to be a co-operative measure when you do that.

Q. I quite understand that. Thank you, Mr. Best.

The committee adjourned until 8 p.m.

The Committee resumed at 8.15 p.m.

Mr. BIGGAR: Mr. Chairman, Mr. Mosher is here to present a memorandum on behalf of the Canadian Brotherhood of Railway Employees. Copies of the memorandum are, I think, available for members of the Committee.

Mr. A. R. MOSHER, President of the Canadian Brotherhood of Railway Employees, appeared as a witness and took the stand.

By Mr. Biggar:

Q. Mr. Mosher, will you please proceed with your memorandum?—A. Yes (reading):—

Honourable Gentlemen:

On behalf of the large number of railway workers represented by the Canadian Brotherhood of Railway Employees, we desire to express our appreciation of the opportunity to place before you their views with regard to the railway situation in Canada. The railway industry is one of the important employers of Labour in this country, and it provides employment indirectly for a great many workers outside the industry; it is furthermore an essential factor in the maintenance and expansion of the whole industrial system in Canada. In such circumstances, the workers generally are very deeply interested in any policies or proposals which may be brought forward with a view to bringing about drastic changes in the present relationships of the two large railway systems, or in the service they are rendering to the people of the Dominion.

May we state at the outset that the viewpoint of the workers for whom we speak is naturally different from that of individuals or groups who are primarily concerned with matters of finance, and whose proposals are designed to reduce the expense of railway service, irrespective of any other considerations. The workers who have invested their lives in the railway industry, and who depend upon it as their only means of employment and income, have a very practical outlook on the so-called railway problem. They have seen their numbers diminish by over 40 per cent during the past ten years, and a great decrease in the amount of railway payrolls, while operating efficiency has steadily increased. They know that they are giving faithful and efficient service to the public and they are wholly unable to understand why their industry should be restricted and their opportunities of earning a livelihood sacrificed.

These workers look at the railway industry as one element in an economic system, closely interrelated with all other elements, rather than as a separate entity, which can be considered in isolation from the others. If the economic life of the nation be divided into the fields of production and distribution, the railways fall into the latter category, but it is obvious that the soundness and stability of the railways depend upon the soundness and stability of the system as a whole. They transport goods and passengers in accordance with the demands made upon them for this service, and, speaking generally, the welfare of the railways is intimately bound up with the manner in which the economic system as a whole is functioning. It is therefore essential, in the opinion of the workers, that any investigation of the railway situation should take into account the state of industry generally, and that the railways should not be blamed for conditions which are beyond their control.

The purpose of an economic system, from the standpoint of the people, is the provision of food, clothing, and shelter, and the maintenance of the highest possible standards of living which the natural resources, the mechanical equipment, the technical skill, and the labour of the country can attain. The industries of the nation ought to provide opportunities of employment for every able-bodied citizen, so that they will be able to maintain themselves and their dependents on a basis commensurate with the material and human resources

available. It is also essential that standards of living should steadily improve, and employment should steadily increase to provide for a growing population.

In the light of these facts, the workers must oppose, by every means in their power, any policy which would decrease employment, would reduce purchasing power, and would restrict rather than expand the services to which the people of a richly-endowed nation are entitled. No one will argue that Canada cannot sustain, at a high level, the living standards of a comparatively small population which has as its heritage enormous natural resources, and highly-developed industries. The people of Canada have every right to look forward to the future with optimism and courage, and it is deplorable that many business and political leaders seem to have lost their faith in their country and themselves.

The workers do not believe that there is any justification for pessimistic views with regard to Canada, and they refuse to accept the doleful attitude which is manifested by those who ought to be leading the way toward economic security and happiness for every Canadian citizen. They believe that this is possible in Canada, if the economic system is intelligently controlled and organized, and that the primary problem is only incidentally a railway problem, since it involves the operation of every industry in Canada. If it could be established that the other industries were being operated on a basis of the highest efficiency, that they had eliminated all waste and duplication; that they were providing employment for the workers who naturally look to them for employment, and that the railway industry alone failed to keep pace with modern developments, and was creating an intolerable burden upon industry in general, no one could object to the singling out of the railways for investigation, and the adoption of whatever measures seemed advisable to remedy their defects.

But the fact is that the railways of Canada stand out among the most efficient industries of the nation; that they are operated with careful supervision and high technical skill; that they service the other industries and the people in a most exemplary manner. It may be doubted whether any other industry in Canada actually provides better service at less cost than the railways, is better equipped to perform its functions, is better managed or has more loyal and capable employees. If the other industries had eliminated wasteful competition to the same extent, and provided as dependable service as the railways, the people of Canada would be enjoying economic security and prosperity on a scale never reached in all human history.

The workers for whom we speak therefore oppose any interference whatever with the present set-up of the railways of Canada, either by compulsory co-operation, by amalgamation, unification, joint management or other schemes. They believe that, instead of tearing up railway tracks, abandoning communities, and throwing railway workers out of employment, the railways of Canada should be encouraged to expand their mileage into sections of the country which are now inadequately served, and to improve their physical equipment, and provide increased opportunities for employment. The policy which Canada needs is one of construction, not destruction; one of progress and not retrogression; one of buoyant faith in the possibilities of the future rather than dejection and despair.

The real problem in Canada, as has been stated, is the problem of making the economic system function effectively in the interests of the people, and it is along these lines that investigations should be pursued and progress attained. The capacity of the railways to earn an adequate return on the capital invested in them was shown in 1928, when business activity had reached a high level, in spite of the fact that some sections of the railways were built for colonization purposes, that freight rates on bulk commodities have been deliberately

[Mr. W. L. Best.]

established at extremely low rates for the sake of export trade, and that the competitors of the railways have been unfairly subsidized and permitted to operate with inadequate control.

There is essentially, then, in the opinion of the workers, nothing wrong with the physical set-up of the railways or with the policies of railway managements. The railways would be prosperous and profitable if our entire economic system was functioning properly. But there are a number of aspects of the situation to which we desire to call attention, and these will be dealt with in subsequent sections of this Memorandum.

May we say, in concluding this introduction, that we are confident that the investigation which you are pursuing will serve a most useful purpose if it enables the people of Canada to understand more fully the importance of the railways to the national welfare, and gain a fresh appreciation of the real problem which must be solved by them.

THE RELATION OF FREIGHT RATES TO RAILWAY FINANCE

Much of the argument for railway unification has been designed to convey the impression that the railways can be treated as an ordinary business enterprise, while ignoring the circumstance that the ordinary business enterprise has virtual control over its prices or charges. The statement is constantly made that the Government's contributions toward interest charges upon capitalization of the C.N.R. entail the placing of an unnecessary burden upon the taxpayers, while the fact that Canadian railway freight rates are the lowest in the world is as constantly ignored.

After the war, when several private railways found themselves in a state of bankruptcy, the Dominion Government had two choices: first, to permit an increase of freight rates which would allow the insolvent railways to carry on as private enterprises, or secondly, to take over their operation as a public enterprise, and assume the liability of meeting interest on certain securities—many of which had a public guarantee behind them. The Government and Parliament decided to take over the insolvent railways, for reasons which the people then generally approved. To that phase of public policy, we may attribute some of the present difficulties of the railways, though not all. The C.P.R., in the years following the war, was able to operate on the basis of the existing low rail rates, because economic activity in the areas it served continued at a relatively high level and produced paying traffic. More recently, with shrunken traffic due to the depression, the drought, and a general relative decline in economic activity, the C.P.R. has been feeling the pinch of the low rates which public policy has enjoined.

Railway freight rates in Canada are low as compared with those of other countries. The *Wall Street Journal* recently published the average ton-mile rates in different countries during 1936. The average ton-mile rate in Canada was 0.99 cents, or less than one cent. In Great Britain the average rate was 2.73 cents, or two and three-quarter times the Canadian rate. For European countries the average was 2.68 cents, or more than two and two-thirds times the Canadian rate. For Australia, the average was 2.50 cents, or more than two and one-half times the Canadian rate. In Argentina, the average was 1.74 cents, or nearly 80 per cent higher than in Canada. In Mexico, the average was 1.77 cents, just about 80 per cent higher than in Canada. In British India, the average was 1.08 cents, more than 8 per cent higher than in Canada, and in France the average was 3.48 cents, three and a half times higher than in Canada.

By Hon. Mr. Hugessen:

Q. What was it in the United States?—A. I have not that before me, but I think it is about the same as in Canada. In some cases it is a little higher, in others a little lower.

By Hon. Mr. Dandurand:

Q. The grain rate in the United States is 25 per cent higher than our grain rate?—A. Yes, that is correct.

If the Canadian railways were taken out of politics, and allowed to fix freight rates on business principles, one of which is to charge all the traffic will bear, they might put up the rates to the Argentine level—or even to the Australian level. Economically, both those countries are fairly comparable with Canada, and the conditions of railway operation more favourable. In both Australia and the Argentine the proportion of flat lands is much greater than in Canada, and the rivers spanned by railway bridges are much less numerous. Both are free from the severe winters which add greatly to the cost of railway operation in Canada.

Let us suppose that the Canadian railways last year had been able to charge a ton-mile rate equal to the Argentine rate on the freight they hauled. The C.N.R. would then have shown a net operating revenue of about \$105,000,000, instead of \$11,000,000. Allowed the Argentine rate, all Canadian railways would have shown a net operating revenue of about \$250,000,000, instead of \$53,000,000. If the C.N.R. had been able to collect the Australian average ton-mile rate last year, it would have shown a net operating income of about \$195,000,000, instead of \$11,000,000. Had all Canadian railways enjoyed the Australian rate, their net operating income would have been about \$450,000,000, instead of \$53,000,000.

The Canadian railways would be prosperous if they could charge the ton-mile rates of either Argentina or Australia. Nobody, however, has suggested that they should be permitted to solve their financial difficulties by raising freight rates. The whole Canadian economy has been adjusted to a low freight rate structure; on grain west of the Great Lakes the average ton-mile rate is only about half of one cent. Raising rates would dislocate industry generally, and perhaps ruin some industries. Nevertheless, raising rates is a possible solution of the financial problems of the Canadian railways which should be taken into consideration. In the United States, the railways were recently accorded rate increases on a number of commodities, and have asked for a general increase of 15 per cent. In Great Britain, the railways were recently accorded a general five per cent increase in freight rates, with bigger increases on a list of specified commodities. In France, the government recently authorized rate-increases ranging up to 25 per cent. In South Africa, where the state railways have been showing substantial surpluses, the Johannesburg Chamber of Commerce recently protested against proposals to reduce rates on export products. In fact, it urged the abandonment of the principle of special rates on export traffic, declaring that if the export industries needed help from the government it should be given in the form of subsidies, so that the public would know the amount of help being given.

In Canada, few people would object to the principle of export rates, say, on grain, as they are an important factor in enabling Canadian grain to meet competition in the world-markets. But the value to the country of special export rates, and low rates generally, must be weighed against complaints that the government railways are a burden upon the taxpayers. The propagandists for railway monopoly omit any reference to this fact. The taxpayers, generally speaking, have an interest in productive industries which benefit from low rail rates. If this dual relationship is not recognized, the railway situation appears in an unfavourable light. The railways get the blame for a situation which has arisen as a consequence of the public policy of giving subsidies to industry and agriculture in the form of low railway freight rates. If it is assumed that the difference between the average ton-mile rate—the best measure of service rendered—in Canada and in Argentina or Australia, is in the nature of a subsidy to Canadian industry and agriculture, such an assumption is no more far-fetched than some of the assumptions on which the propaganda for railway

[Mr. A. R. Mosher.]

monopoly is based. In any event, whether these differences in ton-mile rates are considered subsidies or not, the fact stands out that Canadian industry and agriculture obtained railway service last year for about \$200,000,000 less than they would have obtained it on the basis of the Argentine rate, and for \$400,000,000 less than they would have obtained it on the basis of the Australian rate. The Government's contribution to the interest charges on the securities of the C.N.R. are far outweighed by the differences in the cost of railway freight service in Canada, and in countries of similar economic development and more favourable conditions of railway operation.

As the *Ottawa Journal* points out, the chief reason why Canadian railways show less profit than many others is that we have the lowest railway freight rates in the world. It pertinently adds that the losses figured against the C.N.R. are offset by the value to general business of low freight costs.

The primary producers and the heavy industries are the chief beneficiaries of the low freight rates. Perhaps they are as much entitled to a subsidy in that form as the manufacturers are to the high tariffs which enable them to charge higher prices than would otherwise be paid for imports. The recent report on textiles and tariffs by Mr. Justice Turgeon might suggest to the Committee that the savings to the consumers of Canada, which might be effected through more unified control of the protected manufacturing industries, would be vastly greater than any savings which are likely to be effected by railway unification on behalf of non-Canadian owners of railway securities.

EFFECT ON RAILWAY EMPLOYMENT

Much of the argument for railway unification makes assumptions about the effects on railway employment in future, which, in our opinion, are not well-founded. In an address to the Regina Board of Trade, Sir Edward Beatty said:—

I am told I propose to throw thousands of men out of work. I repeat what I have already said . . . that protection for labour is a necessary part of my plan, and that savings in that regard should be made gradually, wisely and considerately, and without hardship to those now dependent upon railway employment.

In another address (published in pamphlet form under the title "Canada's Railway Problem and its Solution"), Sir Edward said:—

Then there is the second objection that union means a disregard for the human element, in that it will involve a reduction of personnel. It is true that this may be the result: yet such a reduction is inevitable unless very prosperous conditions are restored. But those who are apprehensive are apparently unaware of the substantial turn-over of railway labour in normal times. It has been shown by investigations in the United States that the normal turn-over by withdrawals due to ill-health, death, retirements and voluntary changes runs from 5 per cent to 6 per cent of the total number of employees. Therefore, from natural causes, in the event the vacancies were not filled, the personnel of Canadian railways would be reduced in five years from 25 per cent to 30 per cent, and it would not be possible to administer the unified properties with a staff reduced below 75 per cent or 70 per cent of normal.

Advocates of this process of reducing railway staffs assume that the withdrawals from employment in the various branches of the railway industry will in the main be uniform or proportional. What warrant is there for such an assumption? No doubt there can be a certain amount of shifting of employees from one job to another—a round-house man to fireman's job, or a fireman to a trainmans' job, and so on. But the possibilities of such shifting without a serious loss of efficiency are limited. Then, if no new employees are to be taken

on as apprentices or beginners, the whole system of promotions will be dislocated. Can the man promoted from a junior to a senior position continue to do the work of a junior while at the same time filling the senior position? You wouldn't that be necessary on the assumption that no new employees are to be taken on for five or six years?

Many railway jobs can be efficiently filled only by men who have long training, not only technical training, but training in habits which make for stability of character. If the railways for four or five years stopped training young men to do the many varieties of skilled work they require they would then have to have to import skilled workers. In that case, the reduction of railway jobs available to Canadians would not be only 25% or 30%; the jobs which would be filled by imported workers would also be lost to Canadians.

The assumption that a "painless" reduction of railway staffs can be effected by not taking on young people to train them for jobs requiring high degrees of skill, is plainly far-fetched. Even if it were possible for the railways to carry on efficiently for several years without training young people for railway work,—which we do not believe—it would not be in the national interest to adopt such a policy. Any industry which for several years failed to provide opportunities for young people to become skilled workers would be neglecting its own interest and shirking a responsibility it owes the nation.

Another assumption is that a net decline in the number of railway workers which would result if vacancies left by retirements, etc., were not filled, would be a "painless" process for Canadian labour. This overlooks the possibility that there are railworkers or other citizens banking on the hope of getting their sons jobs on the railways during the next five years. Frustration of that hope would not be exactly painless.

Spokesmen of the Canadian Manufacturers' Association, appearing before the Rowell Commission, referred to the "painless" process of reducing railway staffs as a "self-amortizing conception of the unemployment problem attaching to unified railway operation." That has a business-like sound. To amortize is to provide for the restoration of capital and interest to a creditor, who, if he does not need it at the moment, can put it in a safety deposit box until he can make use of it. But the capacity to work differs from capital in that it is bound up within the person of the worker. The "painless" process of reducing railway staffs would not be amortization or a process of restoration, but it would extinguish certain opportunities of employment, which would be tantamount to extinguishing the opportunities of a certain number of workers to live decently on their earnings. It would not provide for sinking fund of employment, but would sink some 30,000 jobs and throw some 120,000 people on the quicksands of the dole.

The self-amortizing conception would seem to be a product of confusion of thought, or at any rate of a mode of thinking which has little regard for the human element involved in the problem of unified railway operation.

Probably the spokesmen of the Canadian Manufacturers' Association were not expressing the view of all their members. In this connection, it may be noted that Mr. Elmer Davis, a former President of that body, has come out in flat opposition to railway unification. Moreover, he has declared that the C.N.R. officials have been "muzzled" or prevented from entering into the controversy as they might have done, if they were not influenced by the fear of what might happen to their jobs if unification is effected. Mr. Davis' irreverent declaration was given twenty-nine lines on an inside page of the *Montreal Star*.

In a rational economic system, the railways and other industries might be expected to provide opportunities for the workers to earn a livelihood, increasing at a rate at least proportionate to the increase of population. In 1920, the average number of railway employees in Canada was 185,177. Increased in

proportion to the increase in population since 1920, the number would have been over 250,000 last year. According to the Dominion Bureau of Statistics the number last year (subject to revision) was only 125,302. Thus the railways were only employing one-half of the number of workers they might be expected to employ in a rational economy, expanding in an orderly manner.

It is assumed that by unification the personnel of the railways can be reduced from 25% to 30% below normal. The year 1930 is referred to as a normal year. The average number of employees fell 35% from 1928 to 1933, and the recovery since has been small. But starting from the average number reported employed last year, a reduction of 25% would mean 31,000 fewer employees and a reduction of 30% would mean 37,500 fewer employees. On the assumption that unification will make possible a saving of \$75,000,000, and taking account of the fact that last year wages and salaries represented 62% of the total operating expenses of all Canadian railways, and the further fact that average earnings per employee were \$1,396, the reduction in the number of employees would be 33,000. The railways would then be employing 92,000 persons, or less than one-half the number they employed back in 1920 when the war-time promises of abundant jobs and a better life were still echoing in the land.

Thirty-three thousand workers, allowing three dependants to each, would equal the population of Ottawa at the last census. How can it be inferred that a process which, if feasible, would withdraw the means of livelihood from 132,000 people, be a "painless" one?

THE FACTOR OF COMPETITION

The arguments for unification as a means of eliminating competition could be used in a campaign to get rid of most of the democratic institutions of the country. If one political party were freed from competition by the scrapping of the other party, certain savings would be effected; but the surviving party would probably make use of its monopoly of political power to serve the interests of its adherents at the expense of the public. Twelve years ago the President of the Canadian Pacific Railway expressed a doubt that "it would be possible, with the best executive, the most loyal and efficient officers, and the wisest and most patriotic board of directors, for an enterprise with 100,000 to 150,000 employees to be maintained in the highest state of efficiency without the spur of competition." And L. S. Fournier, an opponent of government ownership and an authority on railway matters, said "that the resultant rivalry in service (between the C.N.R. and the C.P.R.) has been beneficial to both systems and to the public is well recognized by the Canadian people."

Though competition in some forms may be a spur to effort and productive of benefits, in other forms it may produce waste. But who is to decide when competition is good or bad? A Board, say, of seven members, three of whom would regard themselves as custodians of private property, while three others would regard themselves as custodians of public property? The decision would in most cases be made by the casting vote of the Chairman—a one-man decision. There may be grounds for the assumption that unified management will work without a real union of the properties, or a marriage for better or worse on a basis of equality, but obviously the set-up would carry the danger of one man's exercising dictatorial powers. And decisions as to what is good or bad competition, in the complicated circumstances of railway operation and the complexity of interests involved, should be entrusted only to a public body.

The financial problems of the railways are obviously intensified by the competition of other forms of transport. If unified control of the railways is necessary to eliminate competition between them, assuming that it can be eliminated without undue damage to communities, is not unified control of motor

vehicles transport equally necessary? If some railway competition is bad, so is some motor vehicle competition bad, but hardly all. Motor vehicle competition was, in large measure, the spur to streamlined and faster passenger trains. Motor buses have taken a certain amount of passenger traffic from the railways, but the special character of the motor bus service has promoted considerable travel which otherwise would not have taken place.

Widely different opinions as to the effect of the competition of motor trucks upon railway freight traffic have been expressed, but it cannot be doubted that it has largely contributed to the reduction in railway revenues. The motor truck operators carry the higher class of commodities and do not, except in special cases, carry raw materials in the form of bulky commodities. Their costs are reduced by a right-of-way for which they only pay part of the cost. The railways not only lose high-class freight to the motor trucks for a large part of the year, but sustain a further loss arising from reductions of rail rates on high-class freight in attempts to retain such traffic. They have the obligation to carry the cheaper heavier freight at all times, and to maintain services throughout the winter months when the motor trucks do not or cannot maintain a high-way service. Some railway branch lines carry little or no high-class freight except during the periods when the weather interrupts the motor truck services. Yet there are few or no regions in Canada for which railway transportation is not vital for several winter months. That is another important reason for regarding railway transport as a public service entitled to special consideration.

To a considerable extent, motor vehicles are subsidized to compete with the railways for the cream of the freight traffic, and some of the passenger traffic, at a time when their operations are most profitable, and without the obligation which a common carrier should assume to provide a continuous service and move any freight offering.

Such competition is largely unfair and the problem of regulating it demands as much attention as the problem of regulating competition between the railways. Unified management of numerous motor vehicle companies and operators may be out of the question, but it is possible to make public regulations controlling standards of operation, character of service and rates, etc., which would minimize the unfavourable aspect of the competition of motor vehicles with the railways. No investigation of the railway situation in Canada can be adequate unless the effects of competition by other forms of transport are thoroughly considered.

THE EFFICIENCY OF THE RAILWAYS

Propagandists for railway monopoly claim that the managements of both railways have neglected opportunities for promoting efficiency and economies. It may be pointed out that the Dominion Bureau of Statistics has calculated that from 1920 to 1935 the man-hour efficiency of freight train crews in Canada increased by no less than 80 per cent—efficiency being measured by the ton-mile movement of freight. In the same period, the volume of production per employee in the manufacturing industries of Canada increased by 45 per cent. In these fifteen years there was some reduction in the working hours in some manufacturing industries, so that the increase in productivity per man-hour may have been a little more than 45 per cent, but hardly as much as 50 per cent. This, of course, is the average increase for all manufacturing industries, some branches of which may have shown a greater or a lesser increase.

But the fact stands out that the rate of increase in man-hour efficiency in the most important division of the railway industry was then considerably greater than in the manufacturing industries as a whole. In 1935, the average hourly wage of freight train crews was 7.2 per cent higher than in 1920, but the increase

in efficiency per dollar of wages was 60 per cent. From 1920 to 1935 there was a decrease of about 44 per cent in the number of freight employees, while the decline in ton-miles was about 25 per cent.

Such changes do not indicate a lack of alertness on the part of the railway managements to seize every opportunity to promote efficiency and economy.

REDUCTIONS IN RAILWAY EXPENDITURE AND EMPLOYMENT

The rationalization policies adopted during the depression cut deep into railway labour. From 1929 to 1933, the payrolls of the C.P.R. and the C.N.R. lines in Canada were reduced by no less than 46 per cent; the loss in salaries and wages was nearly \$122,000,000. Comparing the so-called normal year, 1930, with 1937, payrolls were down nearly \$70,000,000, or 28 per cent.

The depression reduced the number of railway workers by 64,768, while many of those still counted as employed were for long periods on part-time schedules. In 1936, there were still 47,373 fewer employees than in the so-called normal year of 1930.

Some idea of the intensity of the rationalization may be gathered from a comparison between 1930 and 1936. The ton-mile movement of freight was down 8.9 per cent. But the number of employees was down 27 per cent, and the payroll was down 32 per cent. It may be noted that the payroll decline was \$79,200,000. Total operating expenses as from 1930 to 1936 were down by \$90,000,000, or 26 per cent. Of the saving thus effected, nearly 87 per cent was at the expense of the payrolls.

WHAT WOULD UNIFICATION ACCOMPLISH?

Unification of itself carries no guarantee that substantial economies can be effected, except by a curtailment of services, the net result of which might be that the savings made in the interests of the shareholders, mostly living outside of Canada, would be offset by losses to Canadian companies.

In Great Britain, since the war, a large number of railways have been merged into four regional systems, and rationalization applied in a comprehensive manner. But though Great Britain has for some years been enjoying an unprecedented boom, industrial production rising to 28 per cent above the 1929 level, it would not appear that unification brought about the savings expected. The fact is that the British railways were recently allowed to make a general increase of 5 per cent in freight rates, with higher increases on a list of specified commodities. In France the railways have also undergone a process of unification, but apparently without the expected benefits. At any rate, as has been mentioned, the railways were recently authorized to make rate increases up to 25 per cent.

DEFEATIST PROPAGANDA ON THE RAILWAY SITUATION

The general underlying assumption of the propagandist for railway monopoly is that the evolution of the Canadian industrial economy has run its course. They talk as if there was no hope of further economic expansion such as would increase traffic to a point which would solve the financial problem of the railways, and at the same time increase the opportunities of employment to a point which would solve the problem of unemployment and the burden of taxation due to relief. It is particularly disquieting that the Canadian Manufacturers' Association and the Canadian Chamber of Commerce appear to have accepted this pessimistic view. We wish to emphasize that, in our opinion, the worst thing about the propaganda from high places to which Canada has been subjected in recent years is that

it has been an expression of the spirit of defeatism. Business and political leaders to whom we ought to be able to look for inspiration and encouragement, have been exposing an alarming lack of faith in the future of Canada. They have been selling Canada short—a species of left-handed enterprise which not so long ago would have been denounced as anti-patriotic.

The spirit of defeatism which has emerged in the third decade of Canada's century is as surprising as it is profoundly disturbing. The propaganda regarding the railways is not its only expression. Counsels of defeatism oppress the people's outlook on all their problems. Not only has the morale of the railway employees been affected. The drumbeats of alarm and discouragement have shaken the whole national morale, and aggravated the forces and emotions which make for national disunion.

Writing in the *Winnipeg Free Press*, a "Maritimer" takes issue with the propaganda for railway monopoly, and says that if the Government capitulates to this propaganda, the people of the Maritimes will regard it as

a notice that the politically-dominant central provinces have fallen for the defeatist counsel of the financial leaders. . . . These propagandists are telling us that the long-deferred hopes of the Maritimes that Confederation would prove a better bargain in the future than in the past, should be indefinitely deferred. And hope deferred eventually produces a revulsion against the thing on which the hope was based.

The real question which should be getting consideration is the construction of an economic system which will function on a high level of activity, and produce not only the traffic needed by the railways, but the employment needed to give the masses of the people some measure of prosperity. If politicians and business men cannot answer that question, then Confederation has shot its bolt and hardly deserves further loyalty.

By Hon. Mr. Haig:

Q. That letter was written by a man or woman who did not sign his or her name. Do you think it is very important for this Committee?—A. Take it for what it is worth.

Q. But it is not worth anything. The writer was ashamed to sign the letter.

The WITNESS (Continues reading):

Many people believe that the central provinces have unduly profited at the expense of both the East and the West. The reasons for that belief may be debatable, but it is a source of dissension which has to be reckoned with. The Canadian Manufacturers' Association which has its seat of power in the central provinces, has poorly served its members and the country by becoming a party to a propaganda of pessimism which, if not deliberately designed to weaken the loyalty to Confederation of the East and the West, may nevertheless do so and increase the difficulties of developing a true spirit of national unity.

TRANSPORTATION FOR SERVICE RATHER THAN PROFIT

The propagandists of unification assume that the rule of profit and loss should be applied to the transportation system as rigidly as to any one-horse private enterprise. On that point we may again quote the *Ottawa Journal*, which says:—

To speak of it (the transportation system) as a mere business enterprise, subject to curtailment of expansion according to its profits or [Mr. A. R. Mosher.]

lack of them, is to speak nonsense. Transportation is a national service; a national service in the sense that aids to navigation are a national service, or our canal system, our post office or our public buildings and works. Nobody asks that these shall show a profit each year. Nor does anybody attempt to capitalize their losses, adding the loss to our deficits.

Incidentally, it may be noted that the Dominion Government's expenditures on canals, harbours and aids to navigation have run to well over \$700,000,000. If these elements of the transportation system were handed over to a trust to operate, the trust's books would show assets of over \$700,000,000, offset by liabilities of a similar amount to the Dominion Government. Would the fact that it could not pay compound interest on its debt to the Government be regarded as a national loss? Yet it would be so regarded by the method of book-keeping which makes the C.N.R. show deficits of \$100,000,000 a year. The cost of the old Intercolonial, which presumably so far as the public is concerned was long since liquidated, is still counted as a liability of the C.N.R., upon which it is expected to pay interest—at least by those who seek to make the railway question the main scapegoat of the troubles of the nation or the shortcomings of political and business policies.

By Right Hon. Mr. Meighen:

Q. I do not know who it is that is asking that we earn interest on the investment in the Intercolonial. I do not see any advantage in setting up these straw horses for the purpose of shooting them.—A. That is a method of book-keeping.

Q. Nobody is arguing that we ought to earn interest on the Intercolonial.—A. It has been suggested a number of times.

Q. I do not know who suggested it. That amount is not on our books for that purpose at all.

Hon. Mr. MURDOCK: But does that not come into the debt?

Right Hon. Mr. MEIGHEN: No. The debt to the public is the debt upon the securities of the Canadian National system held by the public. We should all be so happy that we should adjourn Parliament if we could only get to the point where we could pay the debt to the public.

The WITNESS: It has been stated time and time again that \$100,000,000 was being lost by the Canadian National yearly, and I say it is by the same method of book-keeping you would get the facts stated here.

Hon. Mr. HAIG: But that is not correct.

Mr. BIGGAR: As a matter of fact, an exhibit that was put in this morning, No. 95, shows that included in the proprietor's equity, which is not in the balance sheet at all, there is \$388,000,000 for capital expenditures on Canadian Government railways.

Right Hon. Mr. MEIGHEN: Which is not charged in at all.

Hon. Mr. HUGESSEN: It was until last year.

Hon. Mr. ROBINSON: It is not so long ago that I heard a representative of the Chamber of Commerce say that the changing of the book-keeping was a crime.

Hon. Mr. HAIG: But the \$100,000,000 has nothing to do with what the Government owes.

Hon. Mr. ROBINSON: I do not quite understand you. We had better let him go on.

Hon. Mr. HAIG: But I do not like it said that I let this go on without interruption. What is the use of letting him read something that is not true?

The WITNESS: It is a matter of book-keeping, and I say it is not untrue. I say that if the same method of book-keeping was used which makes the Canadian National show a deficit of \$100,000,000 a year—

Right Hon. Mr. MEIGHEN: Even then you would not include the Inter-colonial.

Hon. Mr. MURDOCK: Mr. Chairman, may I suggest that to-morrow we have the proper official from the Dominion Bureau of Statistics come in and straighten this out?

Right Hon. Mr. MEIGHEN: Counsel can straighten it out now.

Hon. Mr. MURDOCK: If we have the figures here. I thought we were carrying part of this old load that everybody in his heart had kissed goodbye to long ago.

Right Hon. Mr. MEIGHEN: It is not included in the \$100,000,000.

Hon. Mr. CALDER: It never has been. The ex-Minister of Railways, Senator Graham, knows that very well.

The CHAIRMAN (Right Hon. Mr. Graham): As a matter of fact, it was quite hard work for me to sit still. I was charged in the House of Commons year after year that although I had a balance on operation, I had not paid any interest on the Intercolonial.

The WITNESS: Hear, hear.

Right Hon. Mr. MEIGHEN: We have got past that.

The WITNESS: It is still being stated in the House of Commons and the Senate, but I think I am correct in saying the deficit is \$100,000,000, which includes the old Intercolonial.

Hon. Mr. HAIG: No, it does not; and, Mr. Chairman, I am not going to accept it.

The WITNESS: All right. I will accept the Bureau of Statistics figure.

Hon. Mr. HAIG: I guess you had better.

The CHAIRMAN (Hon. Mr. Beaubien): Go ahead, Mr. Mosher.

The WITNESS: Let us now consider the argument that unification will result in the application of strict business principles to the railway question. Those who make this argument assume that railway policy can be completely divorced from political or public policy. But how? How could the customs tariff be divorced from politics or public policy? Only by abolishing all protective tariffs. The first step toward taking the railways out of politics would be to free the railways from public control of their freight and passenger tariffs. That would enable them to operate on the business principle of charging all the traffic would bear—and to solve their financial difficulties very quickly.

But are those who argue for the application of strict business principles to the railways prepared to accept the logical consequences of this argument? Are they really aware that logically they are arguing for increases in railway rates? It may be doubted that they have thought things through. Otherwise, they might be perturbed by the logical conclusion of their argument—and still more by its implications. For if it would be a good thing to take the railways completely out of politics, it might be equally good to take other industries out of politics by eliminating the thing which enmeshes them in the political set-up of the country, the protective tariff.

TAXATION AND THRIFT

The contention that Canada must be saved from the continuing peril of a railway financial burden has little appeal to the workers, especially as the plan of salvation is designed to reduce their opportunities of earning a livelihood. As has been remarked, the tax burden involved is more than offset by the low charges for railway service. It is a pertinent question whether—or to

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what extent—the proposed railway economics would have the effect of saving money for people already wealthy, at the expense of the workers.

The railway question in Canada has been associated with the idea that the failure of the economic system to function satisfactorily in recent years is due to the weight of taxes. The incidence of taxes upon Canadian consumers is undoubtedly heavy, and thus tends to limit the power of consumption, the mainspring of business activity. But taxes are evidently not the only or even the main cause of the fact that Canadian business activity had hardly risen to 1929 levels before the recovery stopped and recession set in again. In Britain, with high taxes bearing heavily upon the wealthy, industrial production rose last year 25 per cent above the 1929 level. In Sweden, also with high taxes, industrial production rose 40 per cent above its 1929 level.

Economists like J. M. Keynes argue that high taxes have helped to promote the business activity which Britain has experienced in the last few years. They say that the government, by stiff income taxes and succession duties, takes money from the rich who do not need it for personal consumption, and who could not invest it in productive industry under the conditions of recent years, and that the government, by spending this money on social services, places it in the hands of people who promptly use it to buy consumer goods. By this redistribution of the national income, an effective demand for consumer goods is created which otherwise would be lacking.

The idea that it was desirable to establish conditions calculated to encourage saving—even by the rich—had a certain validity while the capitalist economy was expanding and the savings could be readily employed in the creation of new productive or distributive enterprises. But to assume that savings by the railways at the expense of diminished opportunities of the workers to earn a livelihood will mean such a relief for taxpayers that they will proceed to make large investments in productive enterprise, and thus stimulate general business, is to overlook the fact that opportunities are lacking for profitable investment.

It is said that lack of confidence on the part of investors is the cause of the stagnation in the capital goods industries. But confidence is more of an effect than a cause. If a new enterprise were suggested, with a reasonable prospect of getting a share of the consumer's diminishing dollar, the presently idle capital, or the capital loaned to government at low interest rates, would jump at the opportunity.

In such circumstances, it is apparent that the maintenance of purchasing power by government expenditure of funds raised by taxation is not only desirable but necessary. The redistribution of national income in this manner is the only factor which enables the present economic system to carry on. The insecurity which prevails throughout industry to-day is due to defects which are inseparable from the system under modern conditions, and this is one of the reasons why many economists believe that a reorganization of the system is inevitable. In any event, there is no justification for the belief that high taxation is necessarily an evil, or that lower taxation in Canada, resulting from a reduction in railway deficits, would bring about any benefits to the people of this country.

SIR EDWARD BEATTY'S SUBMISSION

According to press reports, Sir Edward Beatty told your Committee that the legislation of 1933, enjoining co-operation between the railways, hasn't worked, the reason being the disinclination of either system to relinquish control of anything having potentialities of profit in the future. He did not want compulsory co-operation, with the compulsion coming from the legislative authority. But he talked as if unification would produce a compulsory power of its own, superior to the will of Parliament.

Under unification, the majority of the Board of Directors would undoubtedly be believers in private enterprise rather than in public enterprise. Hence, the Board would be inclined toward policies calculated to enable the properties of the private system to make a better showing than the properties of the public system.

The first point of Sir Edward's plan is that "the two railways should continue to own their present properties." But, since unification is based on the theory that savings are to be effected by abandoning duplicate properties and services, and also unprofitable properties and services, the two companies could not continue to own all their present properties. Some properties as well as services would have to be scrapped. And with a Board of Directors more friendly to private enterprise than to public enterprise, decisions as to the abandonment of lines, stations, services, etc., would be apt to aim at the conservation of the properties and revenues of the private company. That aim, indeed, would accord with the more economical solution of the physical problem of lopping off lines and services. The C.P.R. had the first choice of locations over a large part of the country, and in the West the first growth of population was along its lines. We might infer from this that the abandonment of the C.P.R. lines and services would cause more damage to communities than the abandonment by the C.N.R. of similar lines and services.

The C.N.R. had to take over a lot of lines built originally for colonization purposes in territories less promising than the territories first opened up by the C.P.R. The C.N.R. also took over lines built originally for political reasons. And then there were railway lines built to exploit timber areas, which were foisted upon the government system by political pressure after they had served their private owners' purposes of stripping the timber areas. From that also we may infer that the C.N.R. has lines and services which could be abandoned with relatively less damage to communities than would arise from similar withdrawals by the C.P.R.

In fact, under the so-called "\$75,000,000 savings" plan, it is proposed to abandon 3,258 miles of C.N.R. lines and only 1,705 miles of C.P.R. lines. Or, as Mr. J. C. Macnabb, of the C.P.R., put it, "one of the C.N.R. lines across the continent would have to be scrapped." It cannot be doubted that under joint management this compulsion to abandon lines, stations, services, etc., would be most vigorously applied at the expense of the C.N.R. and the communities it now serves.

That is the crux of the proposal. The C.P.R. has little to lose, and something or much to gain. On the other hand, it is doubtful whether the C.N.R. has anything to gain, while it has much to lose. Although the unification plan is predicated on the assumption that Canada is facing years of business stagnation or even retrogression, it is permissible to hope that there is still enough intelligence and energy in the country to produce a new era of progress and prosperity. And that possibility should be reckoned with by your Committee and by Parliament.

If the net railway earnings in a prosperous future should be divided on a basis dictated by past experience, the C.P.R.'s share would grow unduly, and perhaps become far out of proportion to the service rendered to the public. It may be a long time before the C.P.R. obtains from its lines on the southern prairies earnings comparable with those of the years before the drought. On the other hand, the C.N.R.'s more northerly lines may become more and more profitable as a result of the northwest shift of population and mining developments.

The second point of Sir Edward's plan is that no public guarantee would be given the C.P.R. security holders. But his third point provides that the C.P.R. shall receive the lion's share of the future net earnings of the railways. This third point is that "each group of owners should continue to receive the net earnings

[Mr. A. R. Mosher.]

which past experience indicates that their company would have received as an independent institution, and that the additional net earnings made available by unification be shared between them on an equitable basis."

Report No. 4 of the proceedings of your Committee gives the net operating revenues (before meeting tax accruals, hire of equipment and rent of joint facilities), of the C.P.R. for the fourteen years, 1923 to 1936, inclusive, as about \$545,000,000, and those of the C.N.R. Canadian lines as \$246,000,000—or combined net operating revenues of \$791,000,000. The division of the net earnings indicated by past experience would then be approximately: 70 per cent to the C.P.R., and 30 per cent to the C.N.R.

By Right Hon. Mr. Meighen:

Q. Why do you exclude the United States lines of the C.N.R.?—A. We are dealing particularly with the Canadian situation, and thought it better to do it in that way.

Q. You have to deal with United States lines whether you want to or not.—A. I do not think it would make any difference in the final computation.

Q. Are there no earnings on the United States lines?—A. Yes, but I think it would be in the same proportion. The Canadian National and the Canadian Pacific both have lines.

Q. You know the Canadian National have a much larger mileage?—A. It would not make much difference.

To meet annual interest charges on C.N.R. securities held by the public, approximately \$50,000,000 is now required. If the C.N.R.'s share is to be 30 per cent, then before it would receive \$50,000,000, the unified system would have to show net earnings available for interests and dividends of nearly \$170,000,000, which would require a "net operating revenue" of around \$180,000,000.

Q. I think you have made a wrong calculation. I know it is not intentional. If I understood the suggestion, it was this. We take a period of years and find the earnings the C.N.R. would have over all of its system, and similarly for the C.P.R., out of the total average for all the system, and divide that amount of earnings in accordance with that proportion. Then the C.N.R. would get at least half. You are extending the proportion right on. You cannot do that. You have to take those average earnings for those years, and it is only up to that amount that you divide the revenues. Above that you have to give the Canadian National half, so your calculation is on the wrong basis. A. Perhaps by the time we get through with this calculation you will see that it is not. We make provision first—

Q. But you are wrong.—A. Perhaps so. Maybe you will be able to find out where we are wrong.

Grant the possibility, which is hardly a probability, that unification can achieve a ratio of operating expenses to gross revenue of 70 per cent for the unified system (last year this ratio for the C.P.R. was 80·6 per cent and for the C.N.R., 93·1 per cent); then, in order to hand over \$50,000,000 to the C.N.R., available for interest charges, the unified system would have to have gross operating revenues of \$702,000,000. Last year the two railways had gross operating revenues of \$310,000,000. So the gross revenues would need to increase two and one-third times.

The C.P.R. had a net operating revenue of nearly \$62,000,000 in 1928. Its net income before dividends that year was \$48,800,000. At present, its funded debt calls for interest payments of approximately \$20,000,000 annually. Before the great depression, dividends on preferred stock ran up to \$5,000,000 and on ordinary shares up to \$30,000,000, or total payments to these classes of security-holders aggregated around \$55,000,000 a year.

From these figures, it may be inferred that the C.P.R. is not likely to agree to a change from the proposed principle of dividing the net earnings of a

unified system (the seventy-thirty principle) until its share comes up to at least \$50,000,000. That sum indeed, would only be 5 per cent on its total liabilities which now run close to \$1,000,000,000.

Now, if and when under the Beatty plan the C.P.R.'s share should rise to \$50,000,000, the C.N.R. would be receiving \$21,400,000. The unified system would then have to show net earnings available to capital of \$71,400,000, which would require a "net operating revenue" of over \$80,000,000. On a ratio of operating expenses to gross revenues of 80 per cent, a gross revenue of \$400,000,000 would be required, as compared with \$310,000,000 last year.

These calculations indicate that a division of net earnings on the basis of past experience (one of the fundamental points of Sir Edward's plan) would work definitely to the advantage of the C.P.R. They indicate too, that no great improvements in the financial position of the railways can be expected without a material increase of traffic and consequently of gross revenues.

The President of the C.P.R. is entitled to advocate any scheme which he thinks will serve the interests of the security-holders of his company. But our examination of his scheme has not persuaded us that he is entitled to argue that it is inspired by the patriotic motive of saving the country from impending bankruptcy.

CONCLUSION

It may appear to this Committee that the Canadian Brotherhood of Railway Employees, in urging that no change be made in the present physical set-up of the railways of Canada, or in operating policies, is adopting a purely negative attitude. To the extent that any such change would have the effect of reducing employment or services, the Brotherhood must strongly oppose it, on the ground that any reduction of purchasing power would be injurious to the national welfare. The Brotherhood claims further that, if industry does not provide employment and purchasing power to citizens who are willing and able to work, the responsibility for doing so falls directly upon the Government, and it is as fully justified in subsidizing the railways in order that they may employ as many workers as possible, as in subsidizing manufacturing concerns through protective tariffs, or in providing public works programs or relief projects.

The attitude of the Brotherhood in this matter is based upon a realization of the fact that opportunities for employment are decreasing; that the present economic system is not functioning in a satisfactory manner, and that any further contraction of opportunities for employment, such as the proposed reduction of railway jobs by 30,000, would be extremely harmful. This would be only the beginning of a vicious circle, involving the placing of at least 120,000 people on relief, and throwing many additional thousands of workers out of employment. The reduction of employment on the railways by nearly 80,000 workers since 1928 has been a serious obstacle to economic recovery; and the greater the number of unemployed the worse the situation will get. It would have been preferable, from the standpoint of the nation, to have reduced working hours, and maintained all railway workers in employment, than to have been forced to spend millions of dollars on relief, with a consequent destruction of the morale of these workers and their dependents.

In the opinion of the Brotherhood, there can be no final solution of the problem of industry, and of the railways until the present economic system is re-organized in such a manner that every citizen will be able to obtain employment, and earn sufficient income to maintain himself and his dependents, with work, leisure and products equitably shared. When the people of Canada become convinced of this, and determine to make the necessary changes in the system, no railway worker will object. But they will not willingly permit the adoption of policies which will lessen employment in any industry, and the people of

[Mr. A. R. Mosher.]

Canada will not permit any lessening of railway services, or the creation of a railway monopoly under private control.

In the meantime, however, the Brotherhood would suggest several lines of investigation which this Committee might profitably follow. They are: 1. The possibility of reducing the rate of interest on the C.N.R. indebtedness. This would place the burden on those who can bear it—the bond-holders—rather than upon the railway employees who cannot do so. 2. The regulation of competitive forms of transport. Not only in Canada but in many other countries, it has been found that unregulated highway transport, by taking from the railways commodities on which comparatively high rates had been paid, have cut deeply into railway earnings. The railway rates are subject to complete regulation, while highway transport, as well as transport by water and by air, have been almost wholly unregulated. 3. The increase of passenger and freight rates, in such a manner as to permit the railways to earn a reasonable rate upon their capital investment. The Canadian Government has adopted a definite policy of maintaining low rates on certain bulk commodities, in order to promote export trade; as has been shown, if the rates charged in other countries were charged in Canada, there would be no railway problem as such, but it has been considered desirable to keep the freight rates low and to make up railway deficits directly out of taxation. While high rates on other commodities could be obtained, due to the absence of highway transport competition, such a freight rate structure was possible, but it is clear that railway rates must be increased and competition must be regulated if the financial requirements of the railways are to be met out of their earnings.

One thing is certain, that a railway monopoly under private management would increase railway rates, since it would be able to control not only any regulatory commission but the government itself. If this fact were understood by the business and financial leaders who are now advocating some form of monopoly, they would very quickly change their attitude. The people of Canada generally, however, are not impressed by such propaganda, and they will not permit the Canadian National Railways to be sacrificed on the altar of finance, nor will they be moved by the demand of capital that it be protected at the expense of the workers.

We would therefore urge this Committee to consider the problem in its broad national aspects, having regard to the desirability of maintaining employment at the highest possible level, and of giving to the people an adequate railway service. Any proposal which would seriously affect these two factors would have far more serious effects than the continuance of present conditions. However onerous the burden of the C.N.R. interest deficits may be upon the taxpayers, they would suffer still more severely from any scheme which would create a railway monopoly, and destroy the integrity of the Canadian National Railways as a publicly-owned and publicly-operated system.

Right Hon. Mr. Meighen:

Q. You assume, Mr. Mosher, that an increase of rates would increase the revenue. Are you quite certain you are right there?—A. Am I quite certain I am right?

Q. Yes.—A. Well, I am quite certain I am right that if the rates are increased it will increase the revenue. Of course there might be a certain loss in certain freight to other modes of transportation.

Q. I do not think the railway executives are quite so sure of that. Certainly it would not increase the revenue from their competitive rates; it would diminish it very seriously. As respects non-competitive rates, like that on Western wheat, you have to keep in mind that our wheat has to be carried say 50 miles for every 5 miles that Argentine wheat would be carried, and, I would judge, about 50 miles for every 10 or 15 miles that Australian wheat would be carried. Therefore the Canadian farmer, to compete with those other countries has to have a

lower rate or he quits. It does not follow, therefore, that an increase in rates brings an increased revenue. It might stifle the whole revenue.—A. Of course you will appreciate the fact that we are not advocating increased rates.

Q. I know that.—A. We are pointing out that if they are to solve their financial difficulty from earnings they must do it by increased rates.

Q. I know you are arguing that. I know you are not arguing that we should increase rates. You made that very clear. But you did argue that we should make our revenues quite ample if we did increase rates. I say I have not been persuaded of that yet.—A. I only said they would have been quite ample had they charged the stuff they hauled in 1936 at the rates charged in Argentina or other countries.

Q. That is not the point. If the goods were supplied, certainly they would, but it does not follow that the goods would be supplied or continue to be supplied.

Hon. Mr. ROBINSON: I think he made the argument too that this is a subsidy to the wheat growers, and whether it should be charged to the railways is a question.

The WITNESS: That is the whole point.

Right Hon. Mr. MEIGHEN: But I am saying that that does not at all establish that increased rates would increase revenues.

By Hon. Mr. Gordon:

Q. If freight rates were increased on western lumber from British Columbia, it would all go by the Panama Canal?—A. That is quite true, no doubt, but it does not alter the fact that if we are to have our railways haul freight at less than the cost of hauling it, plus a profitable margin, then we must be agreeable to paying them a subsidy for hauling it. I mean a privately owned company cannot haul it any cheaper than a nationally owned company.

Hon. Mr. McRAE: It would not all be diverted. There is a great section of Canada that would have to pay the rates.

Hon. Mr. GORDON: There is considerable going now via the Panama Canal to Quebec and Montreal.

Hon. Mr. CALDER: All the lumber that is used on the Prairies would never go through the Panama Canal.

By Hon. Mr. Robinson:

Q. You said in your memorandum, at page 20, second paragraph:

It would have been preferable, from the standpoint of the nation, to have reduced working hours, and maintained all railway workers in employment, than to have been forced to spend millions of dollars on relief . . .

I had an idea that the reason railway workers were reduced was the stand taken by the organizations.—A. I think you might be confusing the fact that the railway workers were not seeking reduced hours with consequent reduction in earnings. My suggestion is that the hours should have been reduced without reduction in earnings.

Q. But I do not suppose the railways could do that unless the railway organizations were agreed.—A. The organizations are quite willing that they should reduce the number of hours of work per day or week, provided that the men's earnings were not reduced accordingly. Smile if you wish, but we still contend that we believe it would have been better from the standpoint of the nation if the average weekly or monthly earning had been maintained, with the reduction of hours, to give more men work and keep them at work. We may be wrong, but that is our belief.

[Mr. A. R. Mosher.]

By Hon. Mr. Murdock:

Q. You omitted to put the word "daily" in there. You intended to put the word "daily" in there?—A. Yes.

By Hon. Mr. Horsey:

Q. You spoke about faults of the economic system, and yet you went on to suggest improving it by keeping the men in employment on the railways, and perhaps even increasing the number, even at points where they were, from an economic point of view, as we would say, wasting money. If service is not required at a certain point, and there is a waste there, why should there not be a co-operative effort to save that waste? And why should not men be ready in the railway line, as well as in every other line in Canada, to be engaged in economically profitable work in preference to economically unprofitable work? Why should we keep men working uneconomically on the railways, and increasing their number? To my mind, that is one of the faults of our system that we are trying to do that, when we should be trying to readjust those men and have them working in other lines, where perhaps they would make twice as much money as they are making on the railway.—A. Under a proper economic system, perhaps the present situation would not have developed at all.

Q. Do you think we are going to improve the economic system by keeping men working in certain places where there is great duplication going on, and waste, when perhaps they might be transferred to some other line of work in which they might make more?—A. Far more readily than by throwing them on the dole and still further increasing unemployment.

Q. But perhaps that would not be necessary. Perhaps that is what is putting more men on the dole now. If we are going to have more and more men kept on at high rates of pay, causing higher taxes, where are we going to land? Do you think we can have every man in the country being paid, if there is no work for him, and have fixed interest rates with fixed rates of pay?—A. I am hoping, sir, that some day industry will be operated for the only end that justifies its existence, that is supplying all of the people with the goods and services they require. If we used our natural resources and machinery and equipment to that end we would have no unemployment, and no uneconomical services performed.

Q. We can have men working for service and for profit too.

By Hon. Mr. Calder:

Q. You would take over all industry?—A. That may be necessary. It seems now to be absolutely necessary that the basic industries be taken over. There does not seem to be any other solution.

Q. Why not all?—A. It may be necessary to take them all. But it seems absolutely essential that a start be made by taking over basic industries. We cannot go on with several hundred thousand unemployed.

By Mr. Biggar:

Q. Your principal point, Mr. Mosher, is that economies should not be made in the railway service which would reduce the number of men employed in it?—A. Correct.

Q. And what you really suggest, in the absence of a scheme such as you have just outlined so that every citizen would be able to obtain employment and earn sufficient income, is that the burden should be thrown on other people? Your three suggestions are: first, to reduce interest and take some of the money from the people who, as one of the witnesses I think put it, were thrifty and had some capital—that is your first suggestion?—A. I would not say that everybody who got money got it just because they were thrifty.

Q. Do you think really seriously——A. I think there are many wealthy people in this country who did not get their wealth by any degree of thrift.

Q. Do you think seriously that that is a reason for taking capital away from people who have it?—A. I am not suggesting that capital be taken away from people who have it.

Q. You are suggesting that interest should be taken away from them?—A. No. I am suggesting that we might consider a reduction of interest.

Q. What is the difference between taking away interest and reducing interest?—A. I take it that when you say "taking away" you mean all of it?

Q. No, not necessarily. If you have an apple and I take half of it, I am taking that away from you.—A. Yes.

Q. Well, you are suggesting that we take——A. If it becomes necessary that we should take it all, I would agree with it.

Q. And your suggestion is that before any burden should be put on the railway employees, part of the burden should be transferred to others? And are they particularly able to bear the burden, those who are doing highway transport? You said that they should be regulated and prevented from doing the business that they are now doing?—A. No, sir, I do not suggest that. I do not think that by regulating them you are going to hurt them.

Q. Would you help them and make their competition with the railways more effective?—A. Not necessarily more nor less, but it would make the competition among themselves equitable.

Q. But it would not affect the competition with the railways?—A. It might to some extent, and it might not.

Q. Would it affect the railway situation or would it not?—A. It might to some degree.

Q. What is your purpose in proposing it if it would not affect the railway situation?—A. To show that the whole transportation system should be brought under regulation.

Q. But what is your purpose in suggesting it here as part of the railway situation, if it is not to improve the situation of the railways?—A. It is to improve the position of the workers in the whole transportation industry, as well as in the railway industry.

Q. I do not follow that. You say that you are proposing that there should be regulation of competitive forms of transportation. Is that not for the purpose of assisting the railways—A. Yes, that will help the railways to some extent. I say it will help the better employer in that industry.

Q. We can disregard it as far as the railway industry is concerned.—A. Not entirely disregard it, no.

Q. And your other proposal is that the rates should be increased so that the Canadian farmer should pay more for the service that he is now getting at a low rate?—A. No sir, I do not make that proposal. I said that if the railways are to meet their financial burdens from earnings, then they must increase the rates to do it.

Q. Then these three proposals are just for investigation, and you are not really proposing that anything should be done?—A. I am not proposing that they should be increased without investigation.

Q. Then in making those three proposals with which your remarks conclude, you are really just suggesting that we should be optimistic and hope for better times?—A. Not necessarily. I say that we should also investigate those angles.

Q. But if we do not investigate them successfully, then we do nothing?—A. Maybe not. I do not know what the result of your investigation will be.

[Mr. A. R. Mosher.]

By Right Hon. Mr. Meighen:

Q. Why do you keep emphasizing through your memorandum that a great part of the bonds on our railroads are held outside of Canada? Why is that called attention to at all?—A. Because it means that the money going to them in the payment of interest on these bonds is really not being expended in Canada.

Q. So you mean we can afford to be less honest with them because they do not live here?—A. I do not say less honest, no, but we might be less generous.

Q. It is generosity to pay what you promise to pay?—A. No, but in various instances efforts have been made to reduce—

Q. Certainly, if you are bankrupt.—A. No, not at all.

By Hon. Mr. Horsey:

Q. Do you think there should be any discrimination against them because they live outside the country?—A. No, I do not think that; I have not suggested that. But I say a majority of these bonds are held outside Canada, and consequently a majority of these interest payments are going outside of Canada, that would help to keep the wheels of industry moving here.

By Right Hon. Mr. Meighen:

Q. Do you not think we have to borrow more money right along?—A. Yes, at much lower rates than you are paying on those bonds.

Q. And do you think people will lend us more money if we do not pay them what we owe them?—A. I am not suggesting, you know, that you should take them by the throat and take the interest away from them. I am suggesting that it might very well be done by conference and agreement with them. We have had that happen in many cases.

Q. We should tell them that we want to employ some people here with their money, and therefore we will not pay their interest?—A. It is difficult, of course, to put the words that you are to use in connection with that, sir. But I would say this, that when you speak of their money and our payments, it is a question as to where the wealth is created, how they got it, and all the rest of that.

Q. Oh, we ought to examine how a creditor in another country got his money?—A. Not necessarily, no. It might do some good if we did, though.

By Hon. Mr. Gordon:

Q. Did you ever think of it in this way: if we had not obtained that money we would not have had the railways?—A. No. You would not have expended the labour on it either, would you? That is quite true.

By Mr. Biggar:

Q. Mr. Mosher, is there not an inconsistency between your statement on page 5, that the capacity of the railways to earn an adequate return on the capital invested in them was shown in 1928, and the statement at page 15 with regard to the deficits of \$100,000,000 a year? How could there be deficits of \$100,000,000 or any similar sum if the railroads had shown in 1928 that they were capable of earning an adequate return on the capital invested? I think I know how you came to make that mistake.—A. I don't think there is a mistake, and I don't think there is any conflict.

Q. You do not?—A. No.

Q. In 1928 the Canadian National earned just enough, just about \$2,000,000 more, I think it was, than was necessary to pay the interest on those of its securities that were then held by the public.—A. Yes.

Q. And the securities that were then held by the public represented rather less, I think, than two-thirds of the amount of capital that had then gone into that railway.—A. Yes.

Q. And there was not earned in 1928 enough to pay interest on the capital that had gone into the railways.—A. Yes.

Q. You follow that?—A. Yes.

Q. And as a matter of fact the statement about the \$100,000,000 on page 15 is, I think, a mistake too, because if you look at the returns of the Bureau of Statistics for the Canadian National Railways, which you will find at page 67 of the committee's Proceedings, you will see that in 1928 the total amount of interest on funded debt was \$74,000,000—not \$100,000,000—and that in 1936 it was only \$35,000,000, and that included in the first place \$40,000,000, in the second \$49,000,000 of amounts due to the Government, which have since been carried to a foot-note and not into the balance.—A. Yes.

Q. So you see your \$100,000,000 even was in excess.

By Hon. Mr. Hugessen:

Q. In excess of what?

Mr. BIGGAR: In excess of the amount of the total used when you take the Government loans as well.

Hon. Mr. ROBINSON: The \$100,000,000 is not correct, is it?

Mr. BIGGAR: No.

The WITNESS: Colonel Biggar, I am only using the \$100,000,000 as the statement has been made time and again in the House of Commons and outside that \$100,000,000 is being swallowed up year after year by the Canadian National Railways. I am not using a statistical figure there at all.

Hon. Mr. HUGESSEN: I remember one occasion, I think in March of last year, when Sir Edward Beatty gave an address in Halifax, and he then said—I am using almost his words as I remember them—that no one can pretend that the deficit of the Canadian National Railways for 1935 was less than \$120,000,000. That is the sort of statement Mr. Mosher is referring to.

The WITNESS: Yes, correct.

Mr. BIGGAR: To-morrow we will see what he intended by that.

Hon. Mr. HAIG: Gentlemen, it is 10 o'clock. I move that we adjourn until 11 o'clock to-morrow morning.

By Hon. Mr. Sinclair:

Q. Just before we adjourn I should like to ask Mr. Mosher a question. You refer to the earnings of the railway employees, Mr. Mosher. Could you tell me the proportion of reduction in earnings by the railway employees which is brought about by the fact that they exchange work with those who are out of work and take shorter time than they would otherwise be entitled to by seniority?—A. I have not the figures to give you on that at the present time, Senator. I could get them.

Q. You understand what I mean?—A. It affected more particularly the shop-craft employees, that is, the mechanics and helpers and workers in the shops. We only represent a small proportion of that unskilled labour. It is represented largely by the other organizations.

The CHAIRMAN (Hon. Mr. Beaubien): Do you wish to adjourn now until to-morrow morning at 11 o'clock, gentlemen?

Right Hon. Mr. MEIGHEN: Carried.

The committee adjourned until to-morrow morning at 11 o'clock.

EXHIBIT No. 95

RAILWAYS ACQUIRED BY DOMINION SINCE 1905

Name	Mileage	Date taken over	Original Purchase Price	Capital Investment at December 31, 1937
			\$ cts.	\$ cts.
Nova Scotia Steel and Coal Company Ry.....	12.5	Sept. 20, 1911	100,000 00	Included in I.C.R.
Sunnybrae to Ferrona Jct.....				
New Brunswick & P.E.I. Railway.....	36	Aug. 1, 1914	270,000 00	1,714,314 20
Sackville to Cape Tormentine, N.B.....				
Quebec and Saguenay.....	62	July 1, 1916	3,489,313 53	7,932,339 70
Cap Tourmente to Nairn Falls, P.Q.....				
Canadian Northern Railway System.....	9,513	Sept. 30, 1917	See state	ment attached.
Elgin and Havelock.....	26	July 1, 1918	36,860 85	203,797 03
Elgin to Havelock, N.B.....				
Moncton and Buctouche.....	30	" 1, 1918	126,575 34	634,394 20
Moncton to Buctouche, N.B.....				
St. Martins.....	29	" 1, 1918	65,000 00	388,111 46
Hampton to St. Martins, N.B.....				
Salisbury and Albert.....	45	" 1, 1918	149,785 82	727,876 77
Salisbury to Albert, N.B.....				
York and Carleton.....	10	" 1, 1918	19,398 93	64,466 55
Cross Creek to Ryan Brook, N.B.....				
Grand Trunk Pacific Rly. System.....	2,732	Mar. 9, 1919	See state	ment attached.
Intercolonial Railway of N.B.....	111	Aug. 1, 1919	2,700,000 00	3,257,320 69
Campbellton to St. Leonards, N.B.....				
Lotbiniere and Megantic.....	30	Dec. 1, 1919	330,000 00	186,336 16
Deschailions to Lyster, P.Q.....				
Grand Trunk Railway System.....	5,307	May 21, 1920	See state	ment attached.
Caraquet and Gulf Shore.....	80	June 1, 1920	200,000 00	1,224,677 25
Gloucester Jct. to Shippegan Harbour and Tracadie, N.B.....				
Cape Breton Rly. (Extension).....	31	July 1, 1920	100,000 00	144,993 78
Point Tupper to St. Peters, N.S.....				
Montreal Tramways Company.....	8	Feb. 27, 1924	1,250,000 00	1,314,869 14
Montreal to Bout de L'Isle.....				
Quebec Oriental & Atlantic Quebec and Western Railway.....	202	June 1, 1929	3,500,000 00	4,539,755 97
Matapedia to Gaspé, P.Q.....				
Quebec, Montreal & Southern Railway..	191	July 16, 1929	6,000,000 00	5,519,842 86
St. Lambert to Fortierville and from Belleville Jct., to Noyan, P.Q.....				
Inverness Railway.....	61	Aug. 8, 1929	375,000 00	889,292 11
Inverness Jct. to Inverness, N.S.....				
Kent Northern Railway.....	27	Sept. 1, 1929	60,000 00	156,534 64
Kent Jct. to Richibucto, N.B.....				
St. John and Quebec Railway.....	158	" 3, 1929	*6,000,000 00	6,133,405 88
Westfield Beach to Centreville, N.B.....				

RAILWAYS ACQUIRED JOINTLY WITH CANADIAN PACIFIC

Name	Mileage	Date taken over	Purchase Price (50% Government and 50% C.P.R.)
Northern Alberta Railways Company— Former E.D. & B.C. Railway..... Former Alberta & Great Waterways Ry. Co..... Former Central Canada Railway Company..... Former Central Canada Express Company.....	927	July 2, 1929	\$15,580,000 paid Province of Alberta 9,420,000 obligations assumed 947,371 paid Province for extensions
Toronto Terminal Railway Company— New agreement, substituting agreements prior to acquisition of Grand Trunk, entered into November 7, 1924.			Capital Cost to December 31, 1937 (50% Government and 50% C.P.R.) \$ 500,000 Stock Purchased 23,724,800 Bonds Purchased

* Includes \$2,727,977.40 bonds outstanding shown on attached statement.

EXHIBIT No. 93

COMPARATIVE ANALYSIS OF CANADIAN NATIONAL RAILWAYS DEBT TO PUBLIC AND GOVERNMENT

DATES TAKEN OVER BY GOVERNMENT ARE:—Canadian Northern, September 30, 1917.
Grand Trunk Pacific, March 9, 1919 (Receivership ended March 31, 1927).
Grand Trunk, May 21, 1920.
Canadian National Railway Company, January 1, 1923.

Dates C.G.R. Transferred to Canadian National—Figures at March 31, 1919 (Actual transfer November 20, 1918).

	Outstanding Liabilities Dates Taken Over	Outstanding Liabilities at Dec. 31, 1922	Outstanding Liabilities at Dec. 31, 1936	Application of C.N.R. Capital Revision Act 1937	Outstanding Liabilities at Dec. 31, 1937
A. DEBT TO PUBLIC—					
<i>Domestic Guarantees—</i>					
Canadian Northern Railway Company	\$ 71,669,913 84	\$ 138,480,913 84	\$ 78,874,538 45		\$ 78,874,538 79
Grand Trunk Railway Company	(1)216,207,141 67	265,950,141 67	216,207,141 67		216,207,141 67
Grand Trunk Pacific Railway Company	43,432,848 00	43,432,848 00	43,432,848 00		43,432,848 00
Canadian National Railway Company			599,105,685 53		632,182,663 80
<i>Sub-Total</i>	331,309,903 51	447,872,903 51	937,620,213 66		970,687,190 26
<i>Provincial Guarantees—</i>					
Canadian Northern and Subsidiaries	79,954,980 93	80,116,554 26	57,592,149 62		57,592,149 62
Grand Trunk Pacific and Subsidiaries	13,457,826 00	13,457,826 00	13,457,826 00		13,457,826 00
Canadian National (St. J. & Q.)			2,727,977 40		2,727,977 40
<i>Sub-Total</i>	93,412,806 93	93,574,380 26	73,777,953 02		73,777,953 02
<i>Other Unguaranteed—</i>					
Canadian Northern and Subsidiaries	290,436,192 35	183,100,979 45	74,622,002 19		74,622,002 19
Grand Trunk and Subsidiaries	89,194,118 00	47,373,627 98	35,853,412 77		36,484,230 72
Grand Trunk Pacific and Subsidiaries	72,627,810 25	62,581,252 86	27,702,000 00		27,702,000 00
Canadian National Railway Company			35,036,666 95		38,714,022 60
<i>Sub-Total</i>	385,198,150 60	263,055,860 29	173,214,081 91		177,522,255 51
TOTAL DEBT TO PUBLIC	809,920,861 04	804,503,144 06	1,184,612,248 59		1,221,997,398 79
<i>Recapitulation by Companies—</i>					
Canadian Northern Railway Company	382,061,087 12	371,707,447 55	211,088,690 27		211,088,688 60
Grand Trunk Railway Company	298,341,289 67	313,323,769 65	252,060,554 44		252,091,372 39
Grand Trunk Pacific Railway Company	129,515,454 25	110,471,926 86	84,592,074 00		84,592,674 00
Canadian National Railway Company			636,870,329 88		673,624,663 80

B. GOVERNMENT LOANS—			
Canadian Northern Railway Company.....	30,819,686 64	298,799,591 72	312,334,805 10
Grand Trunk Railway Company.....	1,148,533 34	84,560,342 60	118,582,182 33
Grand Trunk Pacific Railway.....	83,639,237 10	123,586,034 75	116,006,599 08
Canadian National Railway Company.....			96,936,971 75 Cr.
Canadian Government Railways—Working Capital.....			16,771,980 54
TOTAL GOVERNMENT LOANS.....	115,607,457 08	506,945,969 07	627,088,577 72 Cr.
GRAND TOTAL—(PUBLIC AND GOVERNMENT).....	925,528,318 12	1,311,449,113 13	627,088,577 72 Cr.
C. OTHER GOVERNMENT INVESTMENTS, KNOWN AS 'PROPRIETOR'S EQUITY' SINCE PASSING OF C.N.R. CAPITAL REVISION ACT OF 1937—			
Canadian Northern Railway Company Stock.....	(3)100,000,000 00	100,000,000 00	100,000,000 00 Cr.
Capital Expenditures on Canadian Government Rlys.....	(4)180,424,327 70	180,424,327 70	162,424,327 70 Cr.
Securities Trust Stock (balance old loan account).....	(5)418,801,736 52	429,563,445 55	16,771,980 54 Cr.
		(6)405,062,244 06	270,037,437 88
	699,226,094 22	709,987,773 25	9,159,470 36 Cr.
		685,487,171 76	675,530,027 85

NOTES: (1) First column does not include Funded Debt due Public of Central Vermont Railway, which at May 21, 1920, was \$10,477,700. This has also been retired.
 (2) Guaranteed as to interest at acquisition.
 (3) Cost to Government was \$10,000,000.

(4) Acquired by Government without cash consideration.
 (5) Includes Hudson Bay Railway, cost at March 31, 1919, \$14,529,706 56.

(6) Hudson Bay Railway, Halifax and St. John harbour facilities, etc., taken out of accounts between 1922 and 1938.
 (7) \$50,000,000. Repaid Government in 1938.

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1938

THE SENATE OF CANADA



PROCEEDINGS

OF THE

SPECIAL COMMITTEE

Appointed to

ENQUIRE INTO AND REPORT UPON THE BEST MEANS OF RELIEVING THE
COUNTRY FROM ITS EXTREMELY SERIOUS RAILWAY CONDITION
AND FINANCIAL BURDEN CONSEQUENT THERETO

No. 23

The Right Honourable George P. Graham, P.C., and
the Honourable C. P. Beaubien, K.C.,
Joint Chairmen



WITNESSES:

Mr. D. C. Coleman, Vice-president, C.P. Ry. Co.
Mr. I. C. Rand, K.C., Divisional Counsel, C.N. Rys.
Sir Edward Beatty, G.B.E., Chairman and President, C.P. Ry. Co.

EXHIBITS:

No. 96. Statement of Employees on C.N. Rys., age 60 to 65.
No. 97. Employment Attrition, C.P. Ry., year 1937.

ORDER OF APPOINTMENT

(Extracts from the Minutes of Proceedings of the Senate for March 30, 1938)

Resolved,—That a Committee of the Senate be appointed to enquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, with power to send for persons, papers and records, and that the said Committee consist of twenty Senators.

Ordered that the said Special Committee be composed of the Honourable Senators Beaubien, Black, Buchanan, Calder, Cantley, Coté, Dandurand, Graham, Haig, Hugessen, Horsey, Jones, Hardy, McRae, Meighen, Murdock, Parent, Robinson, Sharpe, and Sinclair.

MINUTES OF EVIDENCE

THE SENATE,

WEDNESDAY, June 22, 1938.

The Special Committee appointed to inquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, met this day at 11 a.m.

Right Hon. George P. Graham and Hon. C. P. Beaubien, Joint Chairmen.

Colonel O. M. Biggar, K.C., Counsel to the Committee.

Mr. BIGGAR: Mr. Chairman, Mr. Coleman is just going to deal generally with the situation so far as the evidence of the witnesses with regard to the estimates is concerned. Mr. Flintoft last night handed me a copy of the memorandum that Mr. Coleman wanted to submit to the committee. This morning Mr. Coleman is indisposed. He may be available this afternoon or to-morrow, but it has been suggested that I should read this memorandum, and as there is nothing in it that is very contentious, I see no reason why I should not do so, and with the approval of the committee I shall proceed.

The CHAIRMAN (Right Hon. Mr. Graham): What do you say, gentlemen?

Some Hon. SENATORS: Carried.

Hon. Mr. ROBINSON: Does that mean that we will not have Mr. Coleman at all?

The CHAIRMAN (Right Hon. Mr. Graham): You may, but he is not very well.

Mr. BIGGAR: That is the memorandum (reading):

Honourable Members of the Committee:

It has appeared desirable, in view of certain evidence given by officers of the Canadian National Railways, to have an officer of the Canadian Pacific Railway appear before you not so much to engage in rebuttal of the statements made in criticism of the estimates of savings under unification given you by our officers, as to correct any possible misapprehension which may result from certain remarks in that evidence.

The impression has been created — through no words of our officers — that unification, on the basis of making the economies included in our estimate of savings of \$75,000,000, is a plan evolved by the Canadian Pacific Railway, of its own initiative, in order to obtain control of the Canadian National. Requests of a Royal Commission in 1931-32 to officers of both systems, to develop the facts in connection with a suggestion for unified management, resulted in the preparation of estimates of savings, to illustrate the extent of possible economies. These estimates were not in any sense parts of unification proposals.

As an officer of the Canadian Pacific who received these instructions from the Royal Commission, I can assure you that the facts as I have given them are correct.

As you will have noted, and as Mr. W. M. Neal, Vice-President of Western lines, has impressed upon you, our officers in preparing their estimates, used the care which is customary with the Canadian Pacific and other large organizations in preparing estimates on which to base business policies. Our officers were aware that this estimate was being prepared for the information of a Royal Commission, and that their

responsibility for accuracy was a serious one. The preparation of each detail of the estimate was confined to those engaged in that branch of railway service. As our estimates necessarily took into account such statistics as we had concerning the results of Canadian National operations, it may be well to point out that our officers took into consideration at all stages the comparability of the accounting methods of the two railways.

Even before any estimate had been requested by the Royal Commission, officers of the Canadian National had, on instructions of their President, prepared and submitted an estimate of possible savings in a normal year of \$56,000,000. The validity of this estimate is now denied, and an attempt is made to indicate that it was based on conditions of neglect of the public interest which made it impossible of realization. As the Exhibit filed with you shows, it was made in complete detail and bears every evidence of being a serious attempt to value the possible savings from unification.

In addition the Canadian National submitted to the Royal Commission estimates of \$35,000,000 and \$24,000,000 to be saved annually by the system of co-operation, whose failure has been described to you. There is no record of any qualifications attached to these, and the comment which accompanies them, as well as the circumstances surrounding their preparation and submission, make it evident that they were offered as showing how co-operation would solve the railway problem. As one who was closely in touch with enquiry made by the Royal Commission, I have always believed that it took those estimates seriously, and endorsed co-operation as a substitute for unification largely because of the figures furnished by the Canadian National.

Beyond the suggestion of compulsory co-operation the officers of the Canadian National inform me that it would not be difficult to indicate except certain criticisms of details of the Canadian Pacific estimate of savings. Our estimate might well require some correction were we to have available as complete information concerning the operations of the Canadian National Railways as we have about our own. Our officers, listening carefully to the evidence given by corresponding officials in the Canadian National, inform me that it would not be difficult to indicate misstatements of fact and errors of judgment in their comments on the Canadian Pacific estimate. They tell me that they can trace much misunderstanding concerning the basis on which we made our estimate—especially in connection with certain references to the use of Canadian Pacific unit costs. This, of course, is not surprising when you realize that several officers of the Canadian National have admitted that they have not given consideration to the subject of the savings from unification in the past, but have only recently prepared memoranda calculated to disprove the validity of our estimate.

For example, the officers of the Canadian National argue that our officers had made a mistake in suggesting that unit costs of the Canadian Pacific might be applied to operations of the Canadian National. They insisted that certain conditions make it inevitable that the Government railway will have higher unit costs than its private competitor. There is no intention on our part to impugn the efficiency of Canadian National operations. Our application of Canadian Pacific unit costs in the estimate was based on the simple assumption that as a result of unification there would be created a single well co-ordinated railway system operating on a larger scale than either of the present railways. In such circumstances, it does not seem unreasonable to hope that its operations can be carried on at unit costs as low as, or lower than, are those of the Canadian Pacific.

I seem to trace throughout the Canadian National evidence the general misapprehension that our estimates are based on the fact that we consider the Canadian Pacific a more efficient railway than its competitor. This is not the point. It is not a question of what will happen to two separate railways after unification but of what will happen to a single unified railway. What we argue is that a single railway can be operated at lower unit costs than can two as a direct result of unification. It would be very regrettable if the question of unification is to be discussed on the basis that it is a mere turning over of one railway to the officers of another railway to operate. It is a plan for using all the best equipment and resources of two railways in the joint operation of a single system—for the joint advantage of the owners of both systems.

Subject to the wishes of your committee, it is not proposed to offer witnesses in rebuttal, since there is no desire on our part to extend the length of your hearings, or to convert the record of your Proceedings into a mere register of differing opinions. If you desire to examine witnesses among the Canadian Pacific staff in order to determine whether the criticisms of their estimates have been such as to justify general distrust in either their competence or sincerity, I trust that you will recall them.

The Canadian Pacific has offered a suggestion for the solution of the problem before you. It is based on estimates of savings which could, we believe, be realized without depriving any community of adequate service or neglecting the rights of labour.

So much of the evidence of the Canadian National was directed to proving the extent of economies in that System's operations since 1930 that I must point out that this again was not pertinent to your investigation as I understood its purpose. Our estimate was definitely based on the conditions of 1930, and we have endeavoured to alter it to reflect permanent changes which have occurred since then. We have admitted that, to some extent, these changes have resulted from other causes than depressed conditions of business. Mr. Neal dealt with this and pointed out that while we have not attempted to make a complete estimate of savings by unification under the conditions of 1937, the combined expenses of the railways in 1937 were \$79,643,000, or 20·7 per cent, less than in 1930, and that, if it be assumed that all the unification economies possible in 1937 had fallen in the same proportion as the reduction in expenses of the two railways operated separately, the estimated saving of \$75,373,000 would be reduced to \$59,740,000. He reminded you that in this connection it should be kept in mind that the level of wages in 1937 was appreciably below the levels of both 1930 and 1938.

The Canadian Pacific officers admit, of course, that permanent economies made by the Canadian National and ourselves will affect the possible savings from unification but, after considering our estimate, we feel that this factor would fail to compensate for unestimated economies, and warn against too general assumptions that expenses will not rise almost in proportion to increasing revenues. The compulsory co-operation estimate of the Canadian National lately offered has been supported by the statement that its benefits will increase as traffic conditions improve.

We have assumed that the process of rationalizing the transportation machinery of the country would be carried out with care, and that its effects would be spread over a period of years, and thus be prevented from disturbing seriously either public or private interests. Public opinion will not interpose objections to measures which do not produce serious public or private losses.

I am therefore confident that no part of the suggestions of the Canadian Pacific Railway need be regarded as in itself certain to produce grave difficulties for the national Government, and I think that I can demonstrate this quite clearly in discussing certain references to a schedule of lines which might be abandoned. This schedule was submitted by the Canadian Pacific at the request of the Royal Commission in 1931-2, and was furnished to that body in confidence.

You have learned that the total effect on the savings from unification of abandoning none of the lines in the schedule would be a reduction of the estimate by about ten per cent.

Looking over the public statements of our Chairman and President, I find few references to line abandonment, and those of a general character. In only one case—a direct answer to a direct question—did he refer to the figure of 5,000 miles of abandonments so freely used as describing the consequences of any plan of unification.

It is thus evident that the emphasis laid on line abandonment must have come from other quarters, and I suggest that it results in part, from misunderstanding, and, in part, from ingenious propaganda intended to convince the public that any plan of unification necessarily involves line abandonment on a large scale.

This belief is, of course, incorrect. What has been suggested is a general plan for establishing joint management of the railway systems for joint interest of their owners. No detailed plan has been worked out or offered.

It should be borne in mind that the preparation by the Canadian Pacific of a schedule of line abandonments was at the request of the Royal Commission, following the submission of a similar schedule by the officers of the Canadian National—prepared by them before the Royal Commission was appointed. Indeed, the Royal Commission specified to us many of the lines—such as those from Sudbury to Fort William, Saskatoon to Unity, and Kamloops to Hope—where very obvious duplication had impressed the Commissioners, and directed that these be included in the study of line abandonments.

Unification of the railways in one way or another has been before the public of this country for many years, but line abandonments as a factor in it was never generally discussed until the Royal Commission investigation. A suggestion that savings from this source should be included was made by the Royal Commission directly to Mr. A. E. Warren, Vice-President of the Canadian National Railways, and myself, and I am, therefore, in a position to inform you accurately as to the origin of this discussion.

It is my belief that many miles of line can be abandoned. Under unification, necessary conditions to the abandonment of any lines would include a decision to that effect by the management of the unified system—not by the executive of the Canadian Pacific; and with the consent of the Board of Railway Commissioners. It has already been suggested, by our Chairman and President, that the powers of that body, to protect the public interest, should be strengthened.

Our Chairman and President will deal with more general questions and particularly with certain recommendations of officers of the Canadian National Railways for the application of coercion to obtain greater savings than have yet been found possible under co-operation. I believe that you have been fully informed as to the history of co-operation, and have been shown that its ineffectiveness was due to the very nature of the plan.

However, lest there should be any remaining impression that the Canadian Pacific is to blame for the failure of co-operation, I venture to quote the Hon. C. P. Fullerton. In his evidence before the Select Standing Committee of the House of Commons on Railways and Shipping, owned, operated and controlled by the Government, on June 2, 1936, Mr. Fullerton, then Chairman of the Board of Trustees of the Canadian National Railways, placed the blame for lack of progress impartially on the officers of both railways. He particularly pointed out the possibility of fear of reduction of employment as a limiting factor. He repeated his opinion before the Standing Committee on Railways, Telegraphs and Harbours of your House on June 12, 1936. Mr. Fullerton made no suggestion that the officers of the Canadian Pacific were the more to blame and, since the reason which he felt he detected—the possibility of reducing employment—is a favoured argument of the officers of the Canadian National, I may leave it to your decision whether his evidence justifies the charge that the Canadian Pacific is to be held responsible for lack of progress. On this point I feel that I can speak with some certainty since I was present before the Committee of your House when Mr. Fullerton made his statement. At that time, I told the Committee that, in my opinion, no blame attached to the officers of either Company.

In conclusion, I trust that I have made it clear that there is no necessity for public excitement over the alleged consequences of unification. Erroneous ideas have been circulated that unification means committing the country to the power of a heartless monopoly; the throwing out of work of thousands of men; the drastic curtailment of necessary transportation services; the risk of adding to the Government's obligations on railway account—any of which would be a real objection to unification. I can assure you that none of them can result from any plan of unification to which the Canadian Pacific would be a consenting party, and that the suggestion of our Chairman and President for consideration of this subject is very far from being a recommendation that the country should accept unification and its consequences as they have been described to you by those who are hostile to rationalization of our transportation machinery, or who have misunderstood the purport of his recommendations.

Right Hon. Mr. MEIGHEN: Mr. Biggar, I have a question. I should know the answer to it myself, but I must have lost track. In that memorandum two estimates are referred to as having been made by the Canadian National as estimates of savings by co-operation—one of \$35,000,000 and one of \$24,000,000. Can you tell me just what the basis of each estimate was and why they differ?

Mr. BIGGAR: The \$35,000,000 was, as I understood, a suggestion as to the amount of savings that could be effected by unification, and the \$24,000,000 was in the nature of a distress budget for the Canadian National Railways. The distress budget has not been printed. It is Exhibit 44. The \$35,000,000 estimate was not detailed, and all the Committee has before it on the subject of the \$35,000,000 estimate is an extract from the proceedings of the Duff Commission, which I think is Exhibit 41.

Right Hon. Mr. MEIGHEN: The details are not given?

Mr. BIGGAR: No.

Right Hon. Mr. MEIGHEN: I still am not clear on what is meant by a distress budget and how that is identified with an estimate of savings.

Mr. BIGGAR: Well, I found it difficult to identify it with an estimate of saving. I have looked through it and as I understand it the reason that was prepared was that the Duff Commission said to the Canadian National: Suppose that you were actually stuck for money, what would you do? And this distress budget, Exhibit 44, as I understand it, really indicates the absolute limit of what could be cut off in the way of expenditure.

Right Hon. Mr. MEIGHEN: Oh, I see, not co-operative savings.

Mr. BIGGAR: That is the way I have understood it. It has been referred to as co-operative savings, but I have not been able to get it beyond the point of a distress budget. It is called a distress budget.

Right Hon. Mr. MEIGHEN: But neither of those estimates was stated to be based upon the existence of a docile public and helpless labour?

Mr. BIGGAR: No, I do not think there is any doubt about that.

Hon. Mr. DANDURAND: Mr. Chairman, I have listened attentively to Mr. Coleman's statement. Of course, we cannot test every statement made by the various officers of the two railways who have been heard. Mr. Rand is here, and he could tell us if he desires to put in a short memorandum based on some statements of Mr. Coleman.

Right Hon. Mr. MEIGHEN: What would that be, surrebuttal?

Hon. Mr. DANDURAND: We have had a written statement read to us. I should not like to reopen the investigation, but perhaps—

Right Hon. Mr. MEIGHEN: Where would it end?

Hon. Mr. DANDURAND: Of course, I do not know. I thought we had ended our inquiry as to facts, but Mr. Coleman sends in a statement. I hope it is the last word, but I should like to know from Mr. Rand if there is anything he feels calls for some comment.

Mr. RAND: Mr. Chairman, this memorandum of Mr. Coleman has been in my hands only this morning. I gather that it consists wholly of general observations. We are entirely in the hands of the Committee. If there is anything in this memorandum which in the judgment of the Committee would seem to call for any comment on the part of the Canadian National Railways, we are prepared to furnish it. If there is not, the matter will stand. If it had dealt more particularly I think it would have been of value to have comments by us, but as it is a general statement my own view at the moment is that there is nothing to be said.

Hon. Mr. HUGESSEN: Colonel Biggar, with reference to that estimate of \$35,000,000 savings from co-operation, did the Duff Commission have details of that?

Mr. BIGGAR: No, there were no details of it, so far as I have been able to find.

Hon. Mr. HUGESSEN: None whatever?

Mr. BIGGAR: No. Mr. Rand tells me there never were any details of the \$35,000,000 estimate.

Hon. Mr. HUGESSEN: So if the Duff Commission accepted that as a correct statement of what might possibly be done, as indicated in Mr. Coleman's memorandum, they were jumping in the dark, so to speak?

Mr. BIGGAR: Yes. It is of course fair to say that Mr. Hungerford told the Duff Commission that he was of opinion, just as he is now of opinion, that any savings that could be made by unification could equally be made by co-operation.

Now, Sir Edward Beatty is in attendance, if the Committee is ready to hear him.

The CHAIRMAN (Right Hon. Mr. Graham): Shall we hear Sir Edward Beatty now?

Sir EDWARD BEATTY, Chairman and President of the Canadian Pacific Railway Company, appeared again as a witness and took the stand.

By Mr. Biggar:

Q. Are you ready to proceed, Sir Edward?—A. Yes, Mr. Biggar.

Honourable Members of the Committee:

[Sir Edward Beatty, G.B.E.]

The terms of the resolution of the Senate appointing you show that you are "To Enquire into and Report upon the Best Means of Relieving the Country from Its Extremely Serious Railway Condition and Financial Burden Consequent Thereto."

Since I last appeared before your committee you have heard a great deal of evidence from the officers of the Canadian Pacific and Canadian National Railways. As our vice-president has told you, our officers have given their reasons for certain estimates which they have prepared. The corresponding officers of the publicly-owned railway have offered certain criticisms of our figures.

You will have noted a pronounced difference in point of view. With few exceptions the officers of the Canadian National Railways have followed their Chairman and President in bringing into the discussion their view of what they call the "public interest." They admit that savings could be obtained by unifying the managements of the railway systems, but they assert that anything accomplished in this direction would be more than offset by the disturbance to public and private interests which would result.

I believe that it is fair to say that the officers of the Canadian National assume that the people of Canada desire to pay a large amount of money each year for the privilege of owning and operating a railway system, and do not wish the results of this railway to be subject to measurement by the ordinary yardstick of commercial administration.

In my judgment these are unwarranted assumptions, but they may explain the difference in attitude of the two groups of officers, and I suggest that, in appraising their evidence, this distinction should be kept in mind.

In the early part of your Proceedings it is shown that you proposed to ascertain why co-operation, as defined in the Canadian National-Canadian Pacific Act of 1933, has not produced more immediate and important savings, and then to study the unification of railway management, and an estimate of the savings which were possible under it.

In addition, it has been suggested by the officers of the Canadian National that consideration should be given to some new form of coercion to be exercised to force co-operation.

The evidence has shown that the Canadian Pacific has always co-operated willingly. Furthermore, it is obvious that it was in its own interest to do so.

The facts are simply that co-operation can only produce very limited savings while competition is maintained. Important measures of joint economy will never be effected in Canada until some arrangement is made by which their results are shared automatically by the two railways. That, I think, you will realize fully.

I most strongly dissent from any suggestion that the policy of the Canadian Pacific is less considerate of public opinion than is that of its competitor. This is disproved by its record of efficient service of high quality. If there were any truth in such a suggestion, however, it would support the view that my company would have less to fear from any unpopularity of co-operative measures than would the Government railway.

When you turned to discuss unification, I note that your Proceedings show various references to the "case" of the Canadian Pacific Railway. This reveals a misconception. The officers of this company have had no case to make. They have merely given evidence as to methods which might be adopted, in their opinion, to reduce the waste of money on railway transportation. Our vice-president has summarized

their evidence on this point, and dealt with the criticisms of it made by officers of the Canadian National. No evidence has so far been presented which would cause me to alter my opinion that our original estimate of savings in the order of \$75,000,000 per annum in normal times is realizable. Mr. Coleman has dealt with the question of the scale on which savings might be expected in the present depressed conditions of business.

In answer to enquiries from your committee, some of the officers of the Canadian National have suggested that the savings so far agreed upon under co-operation, of approximately \$1,700,000 per annum, might be increased to \$10,000,000 per annum, provided that some Board is set up which will relieve the railways of the odium of initiating economies. Since the Canadian Pacific has suggested that economies may be made of a much larger sum per annum, it must be clear that it does not fear this odium. The officers of the Canadian National may, but, since any form of co-operation, compulsory or otherwise, can only obtain its initiative from a suggestion from some quarter, it must be evident that to add a representative of the Government to the co-operative committees of the two railways is merely to suggest that the state must take over the burden of odium from the Canadian National Railways. After all, is this not merely to say that this department of Government is to be relieved from the duty of economizing?

My objections to this new plan of coercion are twofold. In the first place, I cannot see that it would overcome the objections offered to unification. The only real reasons against the adoption of unified management so far offered to my knowledge are that the savings under it would not be as important as I believe them to be, and that the adoption of the measures of economy which would result would be offensive to public opinion. It is admitted that all the savings possible under unification cannot be made under co-operation. In many cases competitive conditions will prevent the removal of duplicate services under co-operation which could be eliminated, without inconvenience to the public, under joint management. Further, co-operation — compulsory or otherwise — cannot remove unnecessary duplication of head offices and supervisory and soliciting staffs. Certainly, co-operation as far as it eliminated duplication of service and created economies by dispensing with unnecessary employment, would meet the same opposition that is shown to unification.

Beside these objections, I see a very distinct injustice to the Canadian Pacific in such a proposal. It is a revision of one made by the late Sir Henry Thornton before the Royal Commission, when he suggested a new type of Board to administer the Canadian National, and have supreme control of the operations of both companies. The same theory of power to control our operations without financial responsibility is behind the present suggestion.

It should only be necessary for me to call your attention to Clause 7 of the Canadian Pacific Charter, which provides that "the Canadian Pacific Railway shall become and be thereafter the absolute property of the Company, and the Company shall thereafter and forever efficiently maintain, work and run, the Canadian Pacific Railway". That imposes on us obligations in return for which we hold certain rights.

In the plan submitted to you it is proposed to substitute for this arrangement the creation of a tribunal, on which the Company would have only a minority representation, with power to deal at discretion with the Company's property and its services, without regard to the statutory responsibility of its directors, and with no responsibility to anyone should

damage result to the Company's interests. This principle I cannot accept.

The idle objection to my contention is interposed that subjection of every railway to the power of the state is admitted. That the state has the right to hold the balance as between railways and the public, no one will deny. That this theory can be converted into one under which the state might have the power to sacrifice the interests of a private corporation for the purpose of easing the burdens of the state in connection with its operation of a publicly-owned railway is an extension of the principle of state control which I cannot believe would commend itself to the people of this country.

Co-operation, as provided for in the Canadian National-Canadian Pacific Act, was adopted after estimates of large savings under it had been offered by the Canadian National Railways. It was argued—and without qualifications—that \$35,000,000 or \$24,000,000 per annum could be saved. At that time I ventured to suggest that the savings would be very much smaller. I am convinced that the present attempt to focus your attention on the possibility of attaining even the small figure of savings now estimated to be practicable under coercion is merely another effort to withdraw your attention from the far greater savings which can be made by unified management.

The ingenious suggestion is offered that perhaps, if your Committee will express a firm opinion against unification, this would permit greater progress with co-operation. I have already pointed out that there has been no delay or lack of interest in connection with co-operation, on the part of the Canadian Pacific Railway. We believe in savings by co-operation, and only object to the present system because it is inadequate. Therefore, no statement that the complete co-operation known as unification is not to be tried would cause us to alter our attitude in respect of the importance of making any possible savings by incomplete co-operation. I do not see why fear of unification should limit the efforts of co-operation of the officers of the Canadian National—unless it is meant that, fearing that success in obtaining savings by co-operation may prove the advantages of unification, they have deliberately limited their efforts.

These remarks sum up all that I have to offer you at this moment concerning the respective merits of co-operation, unification, and coercion. With your permission I should like now to answer certain questions put to me by Senator Dandurand, in a statement read to this Committee at the close of your sitting of June 2nd, and printed on Page 1003 of the Proceedings.

Senator Dandurand stated that his enquiries were the result of his understanding that the Canadian Pacific had submitted to the Royal Commission suggestions with respect to the division of net income under unification, and urged that this information should also be given to your Committee.

The document in question is incorrectly described. It contained, in the form requested by the Royal Commission, studies of how the public revenues would benefit from various possible divisions of the net income of the unified railways. It contained no offer of terms, but—as with our estimate of savings—was merely an illustration of possible benefits. The document handed to the Royal Commission was prepared and transmitted in confidence. I believe that such confidence should be respected.

I can deal quite readily with the specific questions asked by Senator Dandurand. The first concerns the assets which the Canadian Pacific is prepared to put into the unified railway system. As I have pointed out, my suggestion does not involve any transfer of assets. It merely covers the entrusting by each of the railway companies, to a joint management,

of certain railway properties, and I assume that Senator Dandurand wishes to know what assets of the Canadian Pacific would contribute to joint earnings under unified management.

I should recommend to our Directors and share-holders that these include our rail lines in Canada, in Maine, and in Vermont; our lake, river and coast steamships, and our telegraph, express and hotel systems.

If the Government desired, after considering all the extremely important questions of national marine policy involved, to include ocean steamships, arrangements could probably be made. Clearly, the Company's right to a share in the net earnings of the unified system would be affected by the amount of the earnings from such assets included in the agreement for joint management.

Obviously, the entrusting to joint management of most of our non-railway assets would not increase the earnings from them, and therefore they should not be included.

The second question deals with the share of the net earnings of the unified system which the Company would expect, the period of experience to be used, the ranking of payments, and the other factors in a formula of division. The number of possible arrangements is almost unlimited. I can only suggest that a general description of the proposal is that the share of net earnings to be received by each of the participants in the plan of unification would be defined in an agreement to be made by authorized representatives of the Government and the Company—subject to ratification by Parliament, and by the shareholders of the Canadian Pacific.

Senator Dandurand's third question seeks information as to what assets the Canadian Pacific would pledge as security for a guarantee by the Government of any old or new capital obligations. In the unlooked-for event of a request for such a guarantee, the security would be whatever was agreed upon by the Government of the day and the Company.

It may be interesting for you to know that the equity of the ordinary and preferred shareholders of the Canadian Pacific Railway as at December 31st, 1937 amounted to over \$753,000,000 as against an aggregate par value of their holdings of approximately \$472,000,000. The equity represents the difference between the total assets of \$1,382,062,058.01 and the amount of capital liabilities, current liabilities, deferred liabilities and reserves, aggregating \$628,873,682.02.

Senator Dandurand is evidently under a misapprehension when he says that I ask this committee to endorse a plan in principle, leaving the details for the formal contract. I have made no request of any kind to this committee. I have given evidence, at the call of this committee, concerning a certain suggestion of my own to assist in relieving the country from its extremely serious railway condition and financial burden consequent thereto—which your committee was appointed to consider. No action to implement that suggestion can be taken at this stage other than for the Government to accept the offer to discuss the problems, and endeavour to negotiate an agreement.

Incidentally, it is not an offer to establish unification on certain precise and detailed terms, but a suggestion to the owners of the National Railways to consider the formulation of a plan. The Government of Canada must be satisfied with the terms, which can only be reached by negotiation. Equally, they must be approved by the shareholders of the Canadian Pacific, and, probably, by its security-holders as well. They are informed that the Directors of the Company and myself are willing to discuss terms with the Government, but I am no more able to bind

them to a detailed agreement than are the members of this committee to contract on behalf of the Government—which is precisely why I cannot commit myself at this time to the discussion of details of a possible arrangement.

It has been admitted that the present railway situation produces losses to the public treasury which are of an alarming nature.

You are now informed that little or nothing can be done about the situation, and that railways in the wrong place and duplicate railways must always remain in existence and must always be paid for from the taxes because, for some extraordinary reason, it is in the national interest. I cannot accept this attitude of defeatism as the proper solution of an admittedly grave national problem.

When, in the face of these facts, I suggest that we try to make savings by combining the operations of the Canadian National with those of the Canadian Pacific, I am met with the statement that this would be destructive to the public interest. All that I can say on that point is, if the argument be a sound one, then it must have been very wrong for the officers of the Canadian National to undertake the economies which they are inclined to boast they have made since 1930. In 1937, the expenses of that system were \$47,000,000 less than those for the year 1930. How can this be in the public interest if it be now wrong to proceed to save \$75,000,000 more? Were not services reduced in the past seven years? Were not unnecessary employees laid off? Were not purchases reduced? If these were good things to do because the railway would otherwise have lost large sums of money each year, would it not be well to do the same things again when the railways are continuing to lose large sums of money each year? For my part, I cannot accept any other conclusion.

The argument of politics is not for me to answer. All that it means is that the Government must choose between spending money for unnecessary railway services or using that money for more effective and constructive purposes. The decision on that point is one for Parliament to make. Can this argument be legitimately adduced by the officers of the Canadian National Railways to show why they object to further savings in railway transportation? Their answer for all practical purposes is to do nothing and wait for times to be better. Mine is to make savings.

May I suggest to you that you have now reached the stage when you may properly recommend a checking by experts of these various estimates and conclusions, and when I say experts I mean independent experts, not associated in any way with either Company. There are firms of engineers who for years have specialized in prescribing for transportation situations which are uneconomical and unwholesome. I would think that the committee might be warranted, as the next step, in recommending that such an examination should be made, and that the books and data of both Companies should be thrown open to the enquirers and their properties thoroughly inspected. The resultant report to the Government would be illuminating and, in my judgment, very valuable.

The railway problems which your Honourable committee is investigating are set out in the terms of your reference. I can contribute nothing more to their solution than my personal assurance that if the Canadian Pacific can, under the ordinary rules of prudence and equity, assist the Government to a solution, that assistance is at the disposal of the nation.

Hon. Mr. DANDURAND: Mr. Chairman, there is one comment that has just fallen from the lips of Sir Edward Beatty, on page 12, which I think goes beyond what he has in mind. He says in the first paragraph on that page:

The argument of politics is not for me to answer. All that it means is that the Government must choose between spending money for unnecessary railway services or using that money for more effective and constructive purposes. The decision on that point is one for Parliament to make. Can this argument be legitimately adduced by the officers of the Canadian National Railways to show why they object to further savings in railway transportation? Their answer for all practical purposes is to do nothing and wait for times to be better. Mine is to make savings.

I should like to draw Sir Edward's attention to that statement, which I do not think is a very just one towards Canadian National officials who appeared here and gave an idea of further economies that could be made. The statement of Sir Edward is:

—they object to further savings in railway transportation.

The WITNESS: That is a little broad, perhaps, senator, but my recollection of the evidence is that several of the officers of the Canadian National said there was nothing you could do except to wait for times to be better.

By Hon. Mr. Dandurand:

Q. You have the statement from Mr. Vaughan, in which he gave a list of things that could be done?—A. Yes, sir.

Q. Of railway lines that could be abandoned, up to 1,100 miles; of things that could be done by pooling arrangements.—A. You think that would be more accurate if I said "limited savings" not "further savings?"

Q. I just draw your attention to the fact.—A. That is quite a fair comment, I think, sir.

Q. Now, there is one thing that has struck me, and you may correct me if I am wrong. I have always been under the impression, not as a result of an exact study of the situation but from statements constantly repeated, that there is no money in conveying passengers. There is generally a loss.—A. Yes.

Q. I have often wondered why the two railways could not arrange to pool their passenger trains from the Atlantic to the Pacific, put them in the same pot as to earnings, and divide them by some arrangement.—A. Divide the losses.

Q. And dispose of the ticket offices all through, since a ticket would carry a passenger anywhere on any train. I have often wondered why that was not done.—A. It has been studied, I understand, by the officers of the two railways. That was one of the suggestions made by the late Sir Henry Thornton at one time. The suggestion took more than one form—a general pooling, and the formation of a company to operate the passenger services of both companies. The difficulty is that of having an organization within an organization; that is, of having an organization created for the purpose of handling passenger business, operating the passenger trains, soliciting and ticket selling, and continuing the two railways in competition in other respects. Our traffic and operating officers tell me there is very great difficulty in that, and in their conferences they have not been able to reach a conclusion that it is possible.

Q. But you quite realize that the pooling of passenger trains all through would create many economies, especially in towns and cities where you are pressing for the sale of transportation?—A. To an extent, sir, that would be true.

By Hon. Mr. Hugessen:

Q. To go a little further along the line Senator Dandurand has spoken of, I wonder if you have considered, or have had occasion to consider what, I understand [Sir Edward Beatty, G.B.E.]

stand, has recently been done in England between the different groups of railways where they met at competitive points, as they do? For instance, take the London-Northeastern and the London, Midland and Scottish. I understand that they have recently arrived at a pooling arrangement including the whole of traffic originating at all points where they compete. I do not know whether that is confined to passengers.—A. Passengers. That is the result of the zoning of territory between the four systems after the amalgamation took place. They found they had certain common points at which they touched.

Q. A great number.—A. As a result of the traffic they pool they have a very complicated formula. I admit that I do not understand it. I have not studied it.

Q. Have they not just arrived at it?—A. It has been going on for some little time.

Q. I was wondering whether the same thing could not be worked out here.—A. Our physical situation is so different that it would not be possible to zone the railways.

Q. Take the London, Midland and Scottish on the one hand, and the London Northeastern. Those lines do touch at a very great number of competitive points. There must be a tremendous number of points there, just as there are between the Canadian Pacific and the Canadian National where they are in competition, and they have arrived at a system by which they divide the competitive earnings from those competitive points.—A. Yes.

Q. I was wondering whether some solution could not be found along that line.—A. As far as I am aware, the adoption of the British principle in Canada has not been seriously considered by either railway company. Whether, if explored, it would give hope of accomplishment, I cannot say at the moment; but it is one of those things that might profitably be explored. But the geographical and other situations are so different that the cases are hardly parallel.

Hon. Mr. Murdock:

Q. Sir Edward, I wonder if I might venture a question here in respect of Mr. Coleman's statement which was read a little while ago. I think you touched on the same question to some extent in your statement. Mr. Coleman said at page 2:

Even before any estimate has been requested by the Royal Commission, officers of the Canadian National had, on instructions of their President, prepared and submitted an estimate of possible savings in a normal year of \$56,000,000.

Now, to the uninitiated, that would convey, would it not, an improper understanding that that \$56,000,000 was a proposal for co-operation or something?—A. Oh, no.

Q. But let us get the actual groundwork. It has not been made clear. It has been brought in here on several occasions, and I do not think it has been made clear. Exhibit 42 is a submission to the Royal Commission on transportation by Mr. S. W. Fairweather, Director, Bureau of Economics, Canadian National Railways, on consolidation of Canadian Pacific and Canadian National Railways. Now, I think it is fair right here to put on the record just what this \$56,000,000 estimate is suggested to be, what it proposes to do, and what it was predicated upon. He says:

The purpose of this study is to develop in a broad way the economies which might be expected to result from a consolidation of the properties of the Canadian National and the Canadian Pacific railways. The railway problem of Canada has been brought forcibly to public attention by the current depression and there has been much uninformed talk and speculation on the subject of consolidation with very little factual back-

ground. If large economies can be found in rationalization of the railway industry, these economies should be effected because cheap railway transportation is the keystone of the productive economy of Canada.

In approaching the problem of consolidation of the two railway systems, it must not be forgotten that these are abnormal times. Conclusions based on the present volume of traffic might be seriously in error when traffic recovers to normal proportions, which may be anticipated with the recovery of general business; therefore two situations will be studied, one the economies from consolidation based on 1931 performances, and the other economies based on a volume of traffic in line with trends established by past performance.

The economies which can be foreseen as a result of consolidation are undoubtedly large,—proportionately larger perhaps in Canada than in most other countries because time has not as yet justified the duplication of Canadian railway facilities by providing a compensating increase in population and traffic density. Much of the economy anticipated from consolidation can, however, only be effected by the resolute facing of a situation which requires sacrifices individually and collectively; for the economy, if it is to reach large proportions, will involve drastic abandonments of line, reduction in quantity and quality of service, particularly passenger service, and a considerable disturbance of the railway labour and material market. Canada must also be prepared to accept the risk attendant upon monopoly,—the possibility of inadequate service, of inefficiency, of carelessness, and of political difficulties arising from the creation of a large group with a common interest.

—A. Yes, that is in the record now.

Q. I know, but it seems to me fair to couple that with the statement that is made that, even before any estimate had been requested by the Royal Commission, officers of the Canadian National had on instructions of their President prepared and submitted an estimate of a possible economy of \$56,000,00—A. That is true, sir; and if you will recall, Mr. Fairweather keeps on repeating the possibility of these things—the possibility of inadequate service, particularly passenger service and so forth, and the risk attendant upon monopoly, of inefficiency and so forth.

Q. I wanted to try to nail down that that \$56,000,000 estimate was prepared upon the basis of monopoly of transport by one railway company.—A. All right.

By Hon. Mr. Dandurand:

Q. There is a matter which has been in the minds of very many members of this committee, my own especially, because I am speaking more clearly for myself. You will admit that we are facing a problem which is a very momentous one, I could perhaps say a stupendous one. It is the same problem that was submitted to the Royal Commission. They had to face and to explore the effect of monopoly established in Canada forever. It is generally agreed that unified management will gradually tend to a unification which will mean monopoly.—A. Only rail monopoly, sir.

Q. That is to say, it would create one single company, one single organization comprising the whole of our railway systems, which would in effect mean a railway monopoly under private management. We may state what we aspire to. We may think that the unified railways could be unscrambled, but I think you yourself have stated that unification would likely be permanent. Now, this conclusion was in the minds of the Royal Commission, and I should like to draw your attention to the way it was approached and what the feelings of the commissioners were when discussing it with you and Mr. Grant Hall. I have made some excerpts of the discussions which took place between yourself and

Sir Joseph Flavelle and other commissioners. These will explain the commissioners' conclusion, and it will give you an idea of what is in our own minds, for we are faced with the same problem. I am reading from the proceedings of the Duff Commission.

Page 951—Vol. II

Sir Joseph Flavelle: There are two aspects, Mr. Beatty, of such a unified holding. There is the political, which the government must deal with as to whether it is possible or not. The other aspect bothers me—whether any single executive body can be entrusted with the responsibility of interpreting for the community the service necessary under the diverse circumstances that we have in Canada. Is there any parallel for it anywhere?

Page 952—Vol. II

Sir Joseph Flavelle: I am not thinking of a malevolent spirit—seeking to deny the public their fair needs. But in regard to this remarkable corporation which would necessarily follow, I am not altogether sure of the capacity of its executive to interpret, without the whip of competition, what the public have a right to secure in the way of service. We have seen very clearly the mischief of a competitive situation.

Pages 959-960—Vol. II

Sir Joseph Flavelle: I do not suppose, Mr. Beatty, doubt would necessarily arise as to the capacity of a scientific organization to carry on successfully the technical part of the work. The doubt arises with respect to the limited capacity that belongs to senior executives to interpret—if I may use such a term in relation to railways—the spiritual side of the situation.

Mr. Beatty: No, Sir Joseph, you should not use that expression.

Sir Joseph Flavelle: Well, as we centralize power over immense areas we seem to fail to get the interpretive spirit of what the subject needs. That is one of the reasons why, wisely or unwisely, we got rid of absolute monarchy. It would be a little difficult to go back to absolute monarchy anywhere in the world to-day.

I think there is an alternative system in some large countries to-day.

Pages 962-963—Vol. II

Sir Joseph Flavelle: We are struggling, Mr. Beatty, to see if an effort cannot be made to limit the operation of too many transcontinental lines, too many miles of railway, so as to make one good dollar come back for another and pay at least the interest on the money invested that is due the public. Now a single corporate body, applying itself to the limiting of these services or of the miles of railway travelled, would be confronted with the suspicion of the community affected, which would create a situation difficult for the operator and difficult for the country. That, however, is a matter for the government to determine. But I come back again to this, not the difficulty of getting the technical skill, not the difficulty of multiplying by two what is now done by one body of officers; it is that subtle thing that you have mentioned. I attempted to call it spiritual. It is that sense of responsibility to the public.

Mr. Beatty: Yes, sir.

Sir Joseph Flavelle: That may be in one executive and not in the other; it may be in a generation of ten years or more. We are legislating for the future needs of the country, and the adoption of your suggestion would mean one system of railways in this country for all time to come, unless Parliament intervened and said, "It is intolerable; we will break

it up." I quite accept your interpretation that each successive body will be selected from the fittest men in the country; they in turn will choose their senior executive officer, and if they choose wisely a youngish man his tenure of office presumably will run to fifteen or twenty-five years. But I am in great perplexity as to whether that autocratic power can be vested in a single executive body. I see the difficulty of the other—we are confronted with it. I did hope that perhaps it would be possible to discover a way out. I quite recognize your figure of speech, that you can have religion for a time when things go badly, but when they go well there will be a change of heart and it will be "to hell with religion; every man for himself."

Right Hon. Mr. MEIGHEN: Is that Sir Joseph Flavelle saying that?

Hon. Mr. DANDURAND: That is Sir Joseph Flavelle, but he is quoting. He goes on:

On the other hand, you are legislating in perpetuity for a territory of immense extent.

Pages 963-964 — Vol. II

Mr. Beatty: Sir Joseph do you think there is any greater difficulty to select one man of the type of the executive that you and I are discussing to administer 38,000 miles of railway than to select two men to administer 18,000 or 20,000 miles each?

Sir Joseph Flavelle: No; but unfortunately as yet we have not developed supermen to make it unnecessary that we be flogged a bit to do our duty.

Mr. Beatty: You do not think, then, there can be any peace in transportation without war

Sir Joseph Flavelle: I should not like to term it war.

Mr. Beatty: It is pretty close to it.

Sir Joseph Flavelle: We have not yet discovered so far as I know any field of human endeavour that we can pass over to a very small group for determination of policy affecting the interests of the public.

Mr. Beatty: Let us look at the alternative for a moment, Sir Joseph. The alternative is competition, because you say in effect, and quite truly, that competition constitutes regulation in itself.

Sir Joseph Flavelle: Yes.

Mr. Beatty: But can we afford competition?

Sir Joseph Flavelle: It depends entirely, Mr. Beatty, on whether it is possible—I do not claim it is possible—to carry into competition a recognition of the necessity in the defence of their own property for the exercise of such sanity as should exist between sensible men. But this means the turning over of the people of Canada in perpetuity, or until such time as a revolution brings about a change, to the control of those who will administer this great consolidation of the railway properties of the country. I really hoped you would not find it necessary to dismiss so completely the element of working out the situation together.

Mr. Beatty: Sir Joseph, if I could find enough results in it—you can see from the approximate figures I have given you, which you may regard in some respects as incomplete.

Sir Joseph Flavelle: They are disappointing.

Mr. Beatty: I should not say disappointing; I am surprised that they are not larger. But the possible savings through that form of co-operation are always limited. You maintain there one great expense—competition.

Sir Joseph Flavelle: Curiously enough, that is the safeguard of the consumer; sometimes the punishment of him too.

[Sir Edward Beatty, G.B.E.]

Page 969 — Vol. II

Sir Joseph Flavelle: You see, Mr. Beatty, most of the monopolies we have been discussing may be broken almost at any time by a competitor, certainly over a course of years. The difficulty that one sees in this proposal of yours is that from Halifax to Vancouver the railway, a vital part of the machinery of every community, would be under one administrative body.

Then I would cite some questions asked by Commissioner Webster of Mr. Grant Hall:

Page 2560 — Vol. IV

Dr. Webster: Would you have any fears about running both systems under one private management?

Mr. Hall: No, none whatever.

Dr. Webster: No fear that they would dominate and control the country and everything?

Mr. Hall: No.

Dr. Webster: That our democratic form of government is strong enough to supervise and control a huge organization like that?

Mr. Hall: Absolutely. You would never weld that organization into such a political machine under private ownership.

Sir Joseph Flavelle: No, but it has, under a democratic form of government, a very manifest power. You cannot dismiss the danger with a phrase like that.

Mr. Loree: With two parties very evenly balanced so that a relatively small vote might turn the result one way or the other.

Mr. Loree was one of the commissioners, he came from the United States.

Sir Joseph Flavelle: It would be a mighty power over the political destinies of this country. The function of a great corporation is not to be in politics, but the field of its possibilities lies in every constituency of the country, a tremendous power.

Pages 966 to 969—Vol. II

Commissioner Loree: The old copy book adage used to be "Competition is the life of Trade." How are you going to live under a monopoly?

Mr. Beatty: You can give service to the customers of your railway under one form as well as under the other. The proof is on our large non-competitive territory in Canada, none of which is suffering.

Commissioner Loree: I had more in mind the importance of developing the state of the art.

Mr. Beatty: For the sake of maintaining efficiency we must at least keep abreast of your progress in the United States.

Commissioner Loree: There would be no competition.

Mr. Beatty: Except the competition we have with your northern lines in the West.

Commissioner Loree: That is limited.

Mr. Beatty: Yes, to the Pacific slope.

Commissioner Loree: If you look for any source of life in the monopoly I do not see where you get it.

Mr. Beatty: Take the mechanical man at the head of the mechanical department of this consolidated system; should he be any less alert than two men doing the same work?

Commissioner Loree: I have seen many instances of it.

Mr. Beatty: Do you see any reason why it should be so?

Commissioner Loree: I think the old adage "Competition is the life of Trade" still applies. Competition kindles a spirit of emulation in a man, and he gets the reward that comes to him for superior activities.

Mr. Beatty: That is perfectly true; but no doubt you have in mind companies are virtual monopolies but which are not behind in their technical resources. As an instance,—take the A.T. & T.

Commissioner Loree: They have a great many competitors.

Mr. Beatty: But no competition in their own field.

Commissioner Loree: Yes, in certain parts of the United States.

Mr. Beatty: But no one covers the same field as they do. They have competition with ourselves, with our wire services naturally, but taking the A.T. & T. as an example of a monopoly, they have kept up a remarkable pace in their progress.

Commissioner Loree: Yes, I think as a rule they have a very good set of men in charge. Eventually they may have a man who may go to sleep. Nothing more significant has happened in the banking business in New York than the failure of the grandson. He went into society, horse racing and one thing and another and left banking go to the devil. That is the trouble I see in a monopoly; you have got no incentive, no spur.

* * * * *

Commissioner Loree: But against all those things you erect barriers. At one time we had in Washington a stately Marshal. Someone said to him, "Marshal, I don't see how you keep good-humoured in view of all the attacks that are constantly made on you in the press." "Well," he said, "I have a very good secretary, when I go to the office in the morning there are clippings on top of my correspondence, but he never puts anything there but clippings that praise me."

Mr. Beatty: I do not know how it would feel to be treated like that.

Commissioner Loree: I see it in so many instances, Mr. Beatty. Take our locomotive position; we had three companies who agreed on prices; they had no interest whatever in developing the state of the art, they wanted to sell standardized products; now they are in a hopeless state approaching bankruptcy.

These extracts which I have cited from the Proceedings of the Duff Commission were given by Sir Edward Beatty and Mr. Grant Hall to men who were charged with the responsibility of advising the Government with respect to a formula to bring about new economies in our railway system. The Royal Commission tested the formula of Sir Edward Beatty, and rejected it on the ground that it would in effect bring about a railway monopoly.

Let us revert to something Sir Joseph Flavelle said which is constantly in my mind, and which I draw to Sir Edward Beatty's attention. It bears on the fatal consequence of the step which Sir Edward is proposing to us: unified management, which means unification, which means monopoly. I quote Sir Joseph's words again:—

But I come back again to this, not the difficulty of getting the technical skill, not the difficulty of multiplying by two what is now done by one body of officers; it is that subtle thing that you have mentioned. I attempted to call it spiritual. It is that sense of responsibility to the public.

Mr. BEATTY: Yes, sir.

Sir Joseph FLAVELLE: That may be in one executive and not in the other; it may be in a generation of ten years or more. We are legislating for the future needs of the country, and the adoption of your suggestion would mean one system of railways in this country for all time to come, unless Parliament intervened and said, "It is intolerable; we will break it up."

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My comment is that then it would be impossible to break it up because the country would be facing a unit which could not be unscrambled. The country would say, "No. We will not break it up, we will absorb it into a State-owned monopoly." That is the fear I have in my mind. If to-day we bring these two railways to that point of unification which would bespeak permanency of conditions, I can visualize the country at a certain moment would say, "It is intolerable." Then we should have to face a monopoly under State ownership.

I am not ready to take that step, because I am convinced that Canada does need the C.P.R. for the example it has set of good administration. Not only in this country but outside it is regarded as an ideally administered railway. It is because I fear that the C.P.R. may be gradually absorbed into State ownership that I ask Sir Edward if there is not danger in that first step which he suggests, and which would perhaps lead to the absorption and annihilation of the C.P.R. into State-ownership.—A. Well, Senator, you questioned me somewhat along those lines when I was before your committee last month. I recall very accurately—I think even before you read it—the conversation between Sir Joseph Flavelle and myself and Mr. Loree. I was one of those brought up in the school of "competition is the life of trade." And Mr. Loree much more so, and when he examined me he was a very elderly man. He was known to be an aggressive railway competitor who believed in it, and he practised it all his life. I am inclined to think Sir Joseph did too.

Right Hon. Mr. MEIGHEN: Hear, hear.

The WITNESS: My answer to all those queries of all those gentlemen is that we are in a different generation now. England has found out, owing to its experiment, that competition is a dead influence. They have made more progress in the art of railroading in Great Britain since they had their amalgamated railways than they ever had in a given time before. All their chief executives admit it. I believe, too, that public opinion is a great regulator of all public service activities, and that to-day railway officers have a much finer sense of their responsibilities than they had even twenty or thirty years ago. I believe a semi-judicial tribunal, such as the Railway Commission or a transport board, can exercise protection of the rights of the public if there is any indication that a monopoly was invading those rights. On the whole I may be over-optimistic, but I do not think so. I believe this country can produce, and continue to produce, men not only technicians in railroading, but men fit to be on the board of directors of this company, commercial statesmen of a high order, patriotic and able men. I believe you can get an executive which will continue a uniform standard of excellence in administration which we could not have hoped for years ago.

I am not nearly as alarmed as Sir Joseph Flavelle appeared to be of a monopoly, because we have hedged unification around with so many protective factors. You say you do not want to see the Canadian Pacific absorbed by the Government. Neither do I. If any argument can be made against monopoly under a private company, suitably controlled by public authority, there are a great many more objections to a monopoly under the aegis of government.

Right Hon. Mr. MEIGHEN: Hear, hear.

The WITNESS: As a matter of fact, Senator, you and I are not very far apart on some things. I should look upon a government monopoly of railway transportation in Canada as being about the worst menace to the country that I could imagine. You and others are afraid of a railway monopoly because it indicates power, and the possible misuse of that power if it is under private administration. I, on the other hand, am much more afraid of a monopoly that is political in the interests of the country. If it is political, then control of a judicial or a semi-judicial body, such as a transport board, has not the same effect. I can go back to my previous testimony to the Royal Commission and

indicate where I saw the dangers which Sir Henry Thornton referred to very specifically in his statement, and which you will find quoted in paragraphs 147 and 148 of the Royal Commission's report.

I do believe we should try to avoid the very eventuality which you describe. The very reason why I recommend unified management is that I think by the interjection of a private company with a good board of directors we are postponing that eventuality to a much longer time than we can hope to postpone it in any other way.

Right Hon. Mr. MEIGHEN: Mr. Chairman, I forgot to prepare my speech last night. I should like to ask Senator Dandurand this question.

Hon. Mr. DANDURAND: I am not the witness, but I do not object.

Right Hon. Mr. MEIGHEN: I will put it to the witness, then. I think the answer will be as good.

By Right Hon. Mr. Meighen:

Q. If under influence of the argument of Sir Joseph Flavelle and the American gentleman, we are to conclude that competition is just as essential in one phase as in another, is it not, then, our logical duty to get rid of co-operation at once, eliminate it from our statute books, because to the extent that co-operation succeeds it eliminates competition?

Hon. Mr. DANDURAND: My right honourable friend Senator Meighen made that comment, I think, two weeks ago when Sir Edward Beatty was here, that co-operation as gradually it is effected leads slowly but surely towards unification.

Right Hon. Mr. MEIGHEN: Towards elimination of competition.

Hon. Mr. DANDURAND: There is an element of truth in that statement. But, Senator Meighen, you all the time retain the separate entity of the two institutions and maintain a spirit of healthy rivalry.

Right Hon. Mr. MEIGHEN: No; because they can only be maintained as separate entities in areas where they do not compete. Co-operation, if it succeeds, is bound to eliminate competition wherever the two entities compete.

Hon. Mr. DANDURAND: The Canadian National-Canadian Pacific Act of 1933 says: You can eliminate competition in this, this and this; but when you have effected that, take care.

Right Hon. Mr. MEIGHEN: It has not succeeded, but it was nearer right than was the resolution of the Senate in 1925.

Hon. Mr. DANDURAND: The question now is as I put it to Sir Edward the other day. Suppose the country is not ready to accept unification because it means gradually and completely a monopoly under private management. Then the two railways are facing each other and things do not improve. On the contrary, they get worse. Then what would you do for your own salvation? Sir Edward Beatty said, "We will turn to the Canadian National-Canadian Pacific Act of 1933—co-operation."

It has been said that Sir Edward Beatty's campaign for unification in the country during the last few years must have had the effect of paralyzing to a certain extent the joint co-operative committee that was working towards the elimination of useless expenditures. I think Mr. Coleman was wrong when he said there was propaganda which constantly represented to the country 5,000 miles of abandonment. I would confine it generally to the statements of Sir Edward Beatty during the past year.

The WITNESS: Just once, sir.

Hon. Mr. DANDURAND: You only said it once?

The WITNESS: Yes.

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Hon. Mr. DANDURAND: By Jove! I thought it was oftener from the effect of your statement. I wonder whether, if the two companies threw their hearts into the work which is before them of diminishing their expenditure and bringing about some equilibrium, they could not make considerable headway during the few years that will follow. I do not know, but I fear that the people of this country will hesitate to take the fatal plunge into the unification, as one monopoly, of two railways that will be scrambled and cannot be unscrambled in the future. I fear that at a certain moment it would mean the absorption of the C.P.R. by the state-owned organization. But can they not put their hearts into the work of reducing expenditure? I admit, with Sir Edward Beatty, that under unification greater economies can be more easily effected. Everybody sees that. But there is the question of taking the fatal step which will lead to a monopoly, and which may lead to a state monopoly.

Right Hon. Mr. MEIGHEN: If that is correct, we will have to reverse our co-operation policy.

Hon. Mr. BLACK: I was going to ask Senator Dandurand a question.

Some Hon. SENATORS: Oh, oh.

Hon. Mr. DANDURAND: I have some confidence in Sir Edward Beatty as my ally in answering some of these questions.

Some Hon. SENATORS: Oh, oh.

Hon. Mr. BLACK: This argument has brought another feature to my mind prominently, and that is that the conversations quoted between Sir Joseph Flavelle, Sir Edward Beatty and others took place ten years ago.

The WITNESS: No, six years ago.

Hon. Mr. BLACK: Six years ago. My remarks are precisely the same in any event. During the past five or six years there has been a very important change in the whole transportation problem, and there is now a very considerable competition with the railways which did not exist five or six years ago. If competition is a good thing, and I agree that competition is the life of trade, to use the old expression, and if we are going to adopt that principle we should oppose the Transport Bill and encourage competition from all angles, and as far as possible, bring about greater competition through the trucking facilities.

An Hon. SENATOR: Under the same control?

Hon. Mr. BLACK: If we can get it. If you are going to argue for competition, there should not be any interference with competition of any kind, so far as it is traffic competition. I think that is a fair assumption. If we are going in for an ultimate unification of management of the two railways we would still have in our hands the competition on the highways. Haven't we got in that alone a system of competition which will take care of the monopoly of the two railways should they ultimately get together?

Hon. Mr. CALDER: May I ask a question of Sir Edward?

Hon. Mr. BLACK: I have not got an answer to that.

Hon. Mr. CALDER: I thought you were making a speech.

By Hon. Mr. Black:

Q. Is not that a real, effective competition?—A. Senator Black, may I interject this observation? I think it is somewhat unfortunate that Senator Dandurand has used the adjective used by Sir Joseph Flavelle—"a fatal step." In my mind fatality is associated with death. We are trying to save this situation. Sir Joseph was wrong in saying it might easily, and would, I think, turn out to be the most destructive step we had taken in Canada in a great many years, because I have confidence in the actual results to be obtained by Canada.

By Hon. Mr. Calder:

Q. May I ask a question connected with the same problem, the fear of monopoly? You must have a knowledge of how our Board of Railway Commissioners operate; what they exist for. Now, they have similar boards in other countries, I presume. I do not know. You likely do. In the United States they have a board, and in Great Britain, I understand, they have two or three boards that deal with certain problems connected with the results of the rationalization of the systems there. My question is this. If a proper board with the necessary powers exists—probably additional powers may have to be given—is there any fear that the public will not be protected in so far as service is concerned?—A. None whatever, in my judgment.

Q. That is the whole question. The state has the power to create a board that will enforce upon any monopoly the giving of any service the public requires. That is correct?—A. Yes, sir, that is correct.

Q. Well, there is the answer in so far as the protection of the public is concerned.

By Hon. Mr. Murdock:

Q. Sir Edward, on page 9 of your submission this morning you fixed the total assets of the Canadian Pacific Railway at \$1,382,000,000. This entire discussion originated in the Senate some months ago as the result of a clamour made to relieve the forgotten taxpayer of Canada of a burden of \$75,000,000 a year. The question I want to ask is this. Is it not possible, if unification were made effective, and the railways of Canada, by reason of other modes of transportation—air, highway and water—continued to go into the red and failed to meet the obligations we hope they will meet, that the forgotten taxpayer of Canada might a few years hence find himself loaded up with \$1,382,000,000 of Canadian Pacific assets, because those assets were in the entire railway mixture, and liable for taking over and assuming the obligations?—A. Well, senator, I do not believe I can put myself far enough into the future to answer your question definitely. Of course anything may happen. If we had a series of years of depression there would be some wrecks strewn throughout Canada; but I do not believe that if the Government of Canada and the Canadian Pacific were in association in the railway business through this operating company we should look forward to anything in the way of danger. I believe our operations would be carried on so economically and the savings would be so great that the Government itself would be receiving some return on its railway investment and that we would be receiving protective results.

Q. Is there not a possibility?—A. Anything is possible, but not permanently possible.

Q. Is it not probable that there might be not more than enough money to pay for those assets of yours?—A. I wouldn't say that. The whole thing depends on the earnings. Our credit will depend on our future earnings, and if we make anything like normal earnings in future we will have all that is required to take care of necessary financing. In these times I do not like to even guess. This time last year, or before, I would have told you that we were probably on the way in North America. I would have had to take that back last fall and winter. I do not know whether this is a recession, a depression or a world depression to-day, and I do not know if anybody else does.

By Hon. Mr. Calder:

Q. And if we have a war— —A. So many things can happen.

By Hon. Mr. Hugessen:

Q. Three objections have been raised to your unification proposal. The three principal ones, it seems to me are, first, the fear of monopoly which,

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whether it is well based or not, is a very active fear in the public mind and is something that has to be taken into account in dealing with a situation such as this. The second objection, which I think has some force, is that the combined railways would be too big and that you would have too large an organization altogether to effectively and properly operate. The third objection is that if you were to unify on the basis you suggest, with a board consisting half of representatives of the C.P.R. and half of representatives of the public railway, there would still be a conflict of interests between the two elements on the board and as between the public ownership people and those who were there to protect the interests of the private railroad, and they might arrive at an impasse.

Now, I do not believe any longer, very much, in this question of competition between the two railways. I agree that there is sufficient outside competition now to stir the railways to greater efforts without competition between themselves. But what I should like to get at would be some method by which we could maintain the separate corporate entities of the two companies while eliminating competition between them, so that while their separate entities would be preserved they would lose any inducement to compete with one another and would feel perfectly free to make such arrangements as to the closing of lines or the reduction of service as they might feel best in their joint interest. It seems to me that we might get at that from the point of view of what has been done in England between the two great systems there, the London and Northwestern, and the London, Midland and Scottish, both of which run to a very large number of competitive points. If we could arrive at some system of pooling the whole traffic of the two railways while maintaining their separate corporate entities we would eliminate the factor of competition between them, and at the same time they would feel perfectly free to make as many economies as they possibly could.

I should like to see a new approach to this problem. After all, this committee has been sitting for a month, and what we have had, in brief, is this: Sir Edward Beatty and his officials have come out for unification; Mr. Hungerford and his officials have come out for compulsory co-operation. I think there are objections to both systems, and should like to see some new kind of approach to the problem, and I venture to suggest that there is a possibility of approach along those lines.—A. May I ask what were your three objections? The first was fear of monopoly; then difficulty of operation—

Q. The principal one is the fear of monopoly; and nothing we can do will affect that.—A. I doubt that, because I do not believe the monopoly of the 90's is to be compared with the monopoly of restriction and control of 1938, especially with the existence of highway and waterway competition which is still effective. Your second question was something else, though, senator, if I recall it. You said, thirdly, that if you have a company formed of representatives of the government, on the one hand, and of the private company on the other, you would have a different approach and probably difficulties in the administration of the affairs of that company.

Q. Yes. For instance, you have a joint board representing the two companies. Suppose the five representatives of the publicly owned railway were to say, "We wish to proceed with the Montreal terminals," and the five representatives of the Canadian Pacific were to say, "That is totally useless." Where would you be?—A. Don't forget that it becomes one company. These men have no divided responsibility. Their responsibility is to the operating company, and inasmuch as there is one treasury and one place to which the earnings go, there could be no possibility, in my judgment, of divided approach to the question.

Q. But would not the five directors representing the public feel that they had more of a responsibility than merely a financial one; that in the

instance I gave you, for example; they had a responsibility there to the public of Montreal to provide them with station facilities, even if that meant large expenditures?—A. But they do not become representatives of any particular company when they get on this board. They merge.

By Hon. Mr. Calder:

Q. You made that perfectly clear in reply to a question I asked you when you were here before, Sir Edward. Once the new board of directors are appointed they begin to forget that they are representing the old companies. Unification has taken place and everything is thrown into one pot; and the longer that board continues to operate, the further its members will get away from the idea that they are representing separate interests.—A. More unity all the time.

Hon. Mr. CALDER: There is the other phase of this, Senator Hugessen, and that is your idea, that they should continue the identity of the physical properties as far as possible. Now, the longer they continue as a unified board the farther they will tend to get away from retention of the present physical properties as separate properties. That is the idea Sir Edward expressed to me when he was first here.

Hon. Mr. HAIG: Let Senator Hugessen get an answer to his questions.

The WITNESS: Which one, Senator?

Hon. Mr. HAIG: The third question.

The WITNESS: I answered that.

Hon. Mr. HAIG: As to the possibilities of another approach to this issue.

The WITNESS: Oh, I beg your pardon.

Hon. Mr. HAIG: I think Senator Hugessen outlined that.

Hon. Mr. HUGESSEN: Yes, I did.

Hon. Mr. CALDER: Briefly, as I understand it, Senator Hugessen, that was this, that the two sections of the board, representing the Canadian Pacific and the Canadian National, would continue as such?

Hon. Mr. HUGESSEN: No; that they would continue as separate entities, as they are now, but with the elimination of the factor of competition as between them.

Hon. Mr. CALDER: And that the effort should be as far as possible to keep the complete identity of the two railway systems? That is your new approach, as I understand it.

Hon. Mr. HUGESSEN: Not exactly. What I mean is what happened in England, the pooling of traffic between normally competing lines on normally competitive points throughout the country.

The WITNESS: That is too big a question for me to answer offhand.

By Hon. Mr. Horsey:

Q. The difficulty as I see it with regard to savings, whether under co-operation or under unification, is that the plans to bring them about might break down when the railways went before the Railway Board. Now, as you say, you believe in public opinion, and I think we all do. Suppose we had a monopoly and the Railway Board became an obstacle to the bringing about of savings of many millions, then I at least fear that the Railway Board would have to be changed.—A. I think it was you, perhaps, Senator, who asked me a somewhat similar question when I was here before. I said that anything we could accomplish in the formation of a unified management would of course require, first of all, agreements between the two parties; and, secondly, a statutory confirmation. And into that statute I suggested might be written, and probably would be written,

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a statement of Government policy in respect of those things which would be necessary in controlling the attitude of any transport board towards these applications that you speak of.

Q. Let us go a step further and suppose that added powers were given but were insufficient. In view of all the voting power of all the railway employees and their families, the fear in my mind is that instead of public opinion winning out in the initial stage, this monopoly could throw its weight so as to have its view carried out temporarily, at least; though in the end, of course, I believe public opinion would survive, as you state. But it would be a very serious situation, as Senator Dandurand has indicated, and then public ownership would have to be brought about to stop the turmoil. We would have a very tumultuous time while that unsettled state was existing.—A. I think the danger would be very much less under a privately operated unified system than you have to-day under present conditions.

Hon. Mr. ROBINSON: Mr. Chairman, there is one suggestion in Sir Edward Beatty's report which he read this morning which has not been touched upon, and perhaps it should be. In this inquiry our Committee has tried its best to get at the bottom of this question in various ways, and perhaps there has been too much of a tendency to look upon it as a contest between the two railways.

Right Hon. Mr. MEIGHEN: Hear, hear.

Hon. Mr. ROBINSON: I do not think we want to look upon it in that way, nor as a contest between the two political parties. This Committee has before it a proposal that has been placed before the public—we cannot get away from that. There has been a good deal of propaganda, a large number of newspapers have carried a campaign of propaganda by the Canadian Pacific—

The WITNESS: You do not suggest that that is the only campaign of propaganda, Senator?

Hon. Mr. ROBINSON: And there has been a tendency here to snub the officials of the Canadian National Railways, to tell them to keep quiet, that they have no right to say anything. There is no doubt about that. Now, I have resented that and I want to defend the officials of the Canadian National in this respect. The only experts that we could apply to were Canadian National officials, when we wanted an examination of the proposals and estimates that have been made. They have examined them and given us their views. They have not given those views in a contentious way; they have simply given us all the information they could, as we asked them to do. Now we are more or less in a fog, and Sir Edward Beatty suggests that possibly it might be a good thing to employ experts. The *Montreal Gazette* got a little ahead of him this morning with that suggestion—it is the same suggestion. At the same time the *Montreal Gazette* was very critical of this Committee. I hope the two facts do not link up in Sir Edward Beatty's mind. Now, Sir Edward made that suggestion in all seriousness.

The WITNESS: Yes.

Hon. Mr. ROBINSON: This is a serious suggestion, and I am wondering whether we should discuss it now.

Hon. Mr. GORDON: Mr. Chairman, I find there is a little confusion in the mind of some of my friends with regard to the division of earnings. I understand that Sir Edward's proposal is very simple, and to me it is a most business-like one. As I see it, he is looking forward to an arrangement between the Canadian Pacific and the Canadian National, by which notwithstanding what might be done to one road or the other, in the way perhaps of eliminating stations that might be detrimental—

Hon. Mr. MURDOCK: Take us into school later and tutor us, won't you?

Hon. Mr. GORDON: It comes down to this point, that the division would be made on an agreed basis—

Hon. Mr. ROBINSON: Senator Gordon, are you trying to sidetrack what I am asking for?

By Hon. Mr. Gordon:

Q. Am I right or wrong in that, Sir Edward?—A. You are partly right and partly wrong. I have not made any proposal to anybody. I could not. I have not even got a proposal to make to my own board.

Q. It seems to me that when you do come down to this, that the division will be made, say, 50-50 of the earnings, or 40-60 or whatever it is, and that division of earnings will be made regardless of what may be done with either property? Is that the idea?—A. The idea, of course, is to reach an agreement with the other side as to what the division shall be. It is a very complicated matter. We would have to readjust certain accounts between the two companies in order to get a result at which we could look and that everybody would agree upon as giving an adequate comparison. But we have not reached that stage.

Q. But would not the object be to get it down to a basis— —A. To a simple basis whereby we would divide these earnings from year to year from now on.

By Hon. Mr. McRae:

Q. We have been told that there was a substantial advance in rates in Great Britain at the time of the change that was made there, and I believe there was a five per cent advance in recent months. In the United States there was been a ten per cent advance, and the railways there are asking for a fifteen per cent advance in their rates.—A. You mean railway rates, not railway wages?

Q. No, railway rates. I do not share with Senator Dandurand any hopes for substantial savings from co-operation. We have had an opportunity to make savings, from co-operation, for five years, and we cannot wait another five years. It is apparent to me that our rates in Canada are low, too low, and do not take into consideration the advancing costs. I take it that the railway business, the same as any other business, ought to make a reasonable return on the capital in the business, the capital for necessary transport. If I am correct in thinking that reasonable economies have been worked out under the present situation, that we cannot look for many more extensive economies, is it not necessary that this country should recognize the inevitable and advance freight rates so as to make the railway business carry itself?—A. We discussed that on my last appearance, and you will remember I expressed the view that I would be very reluctant to see that happen, because I look upon low transportation rates as very essential to this country. We cannot change grain rates without your approval. I doubt if you would ever allow us to do so. I would not like to ask for an increase there, because I know how dependent our grain is on those rates. Then if you suggest a uniform increase in commodity rates, we in the rather dislocated condition of road competition in Canada would run the risk of further excursions into our traffic by highway carriers. And that is the reason the United States Interstate Commerce Commission refused the last application of the American railways; they said you would lose more than you would gain.

Q. If rates are not advanced, and if in the national interest we must handle certain commodities below cost, is it not logical to anticipate that sooner or later we must provide, by way of subsidy or some other consideration, for loss in the handling of those commodities?—A. Unquestionably.

Q. Whether by way of advance in rates or by way of subsidy, it does seem to me this country is rapidly approaching that state.—A. There are two ways

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of saving money: one, by making more; the other, by saving more. I am suggesting here a method of saving more money. As I understand, you are suggesting a way by making more.

Q. I am suggesting that if economies cannot be very much further reduced, as you said, and if we are to stay as at present without co-operation—A. Under competition.

Q. —then we must find some other way of meeting the situation, either by an advance in rates or by subsidies for commodities handled at less than cost.

By Hon. Mr. Sinclair:

Q. In your submission, Sir Edward, in the centre of paragraph on page 5 you cite clause 7 of the Canadian Pacific charter. I do not need to read the reference?—A. No, sir.

Q. Then you comment on the plan that was submitted, and at the bottom you state you cannot accept a certain principle.—A. Administration without responsibility, Senator.

Q. Just so. Do I understand, Sir Edward, that you take the same ground with regard to unification?—A. Unification being an agreement, and therefore being—

Q. Would the C.P.R. still retain that charter right in negotiating an agreement?—A. Not if we made that agreement, no, sir. If the Canadian Pacific voluntarily went into an agreement with the Government for administration of their properties, they would be bound by it.

Q. It is a matter for consideration in giving up your charter rights by negotiation?—A. Yes. It would not be a serious matter if we are able to make a permanent arrangement with the Government as to joint operation of both railways.

Hon. Mr. HAIG: Senator Robinson put a question, but I did not hear any answer to it.

Hon. Mr. CALDER: Leave sleeping dogs alone.

By Hon. Mr. Robinson:

Q. There is a suggestion in your memorandum, Sir Edward, about calling in experts. You made it seriously?—A. Yes.

Hon. Mr. CALDER: What I presume, Sir Edward, you mean is this. We have had a whole lot of evidence given by the two companies, each from its own standpoint, and you think in order to clear up that phase of the situation independent experts should be brought in to examine all those figures and give us a correct statement of what the situation actually is?—A. Yes, sir.

Q. A lot will depend upon those figures we have had from the two railway companies.—A. My idea is this. As you know, there are firms who do this business, firms composed of men who spend their life on railways and engineering work. If the Government desired, they could make a very valuable check on everything that has been submitted to this committee.

By Hon. Mr. Dandurand:

Q. You say savings, Sir Edward, are predicated on a policy which would have to be submitted to the Railway Board?—A. A factual finding body entirely. Policy would have to be determined by the Government.

Q. Yes. The policy might follow on the savings.—A. Yes.

Hon. Mr. McRÆ: That is a very important matter for consideration by the committee when they come down to it.

By the Chairman (Hon. Mr. Beaubien):

Q. Pursuing the idea suggested by Senator Hugessen, would it be possible to conceive that both railways would pool practically all the traffic upon which they compete now?—A. Do you mean passenger, or passenger and freight?

Q. Both.—A. Not without unified management. If you do it as unification, all right, you could do that.

Q. It would mean that, it would come down to the same thing?—A. Yes.

By Hon. Mr. Hugessen:

Q. I pointed out, Sir Edward, that they did the same thing in England without unified management.—A. That is another proposition entirely in England, Senator. I do not think it can be made applicable to Canada. That suggestion was made on one occasion before the Royal Commission by Lord Ashfield, a member of that commission. He was very familiar with the English system. You will not find any suggestion by the Royal Commission that it was applicable to Canada. That was six years ago, and it had then been in operation a good many years in England.

Q. They have only been doing that pooling for the last two or three years?—A. No, it has been a gradual process.

By the Chairman (Hon. Mr. Beaubien):

Q. If we had unification, of course it is said that the public would be afraid of oppression by a monopoly. Don't you think that the board in charge of unification would fear the result in the mind of the public that there would be oppression more than anything else?—A. Oh, undoubtedly.

Q. Because it would inevitably bring before them the prospect of parliamentary action that would smash it?—A. And it emphasizes their own responsibility.

By Hon. Mr. Buchanan:

Q. Sir Edward, do you propose unified management as a permanency?—A. Yes.

Q. Supposing it came into operation, and the public were dissatisfied with it, and did not want state ownership of all the railways, but desired to go back to railroad competition, would it be possible to restore the two railroads to single operation?—A. Yes; possible, but difficult.

Q. Do you envisage as a possibility that the public might make that demand?—A. No. I think when the public got used to the idea of the operation of this unified company they would never want anything else.

By Hon. Mr. Calder:

Q. On that point, Sir Edward. You say it is possible.—A. Yes.

Q. You say it is possible to have a division. I presume that would be possible only under these circumstances, say if, for example, you had done a lot in the way of rerouting of traffic over main lines, operated in that way for a period of years, the other lines still remaining in existence but not being maintained to the standard requirements, then there would have to be some agreement as to rehabilitation.—A. Yes; and it would limit your economies.

Q. And then in the same way joint use of terminals?—A. Yes.

Q. Those things would be separated under proper agreement?—A. Yes.

Q. I see where it would be possible.

Hon. Mr. ROBINSON: I should like to ask one question. I don't suppose there is any sense in it.

The CHAIRMAN (Right Hon. Mr. Graham): We are getting used to them.

[Sir Edward Beatty, G.B.E.]

By Hon. Mr. Robinson:

Q. It has been said that you can have too large a concern for men as at present constituted to be able to manage efficiently, that to manage it requires supermen, and we don't have them to-day. I have often wondered if there is any possibility of dividing this whole system into three or four systems.—
A. To get economies you could not.

Hon. Mr. HAIG: I move adjournment of the committee.

The CHAIRMAN (Hon. Mr. Beaubien): Are you ready to adjourn, gentlemen.

Hon. MEMBERS: Carried.

The committee adjourned until 3.30 this afternoon.

AFTERNOON SITTING

The committee resumed at 3.45 p.m.

Sir EDWARD BEATTY (examination resumed):

The CHAIRMAN (Hon. Mr. Beaubien): Are you ready, gentlemen?

Hon. Mr. HAIG: Mr. Chairman, the other day I asked for a report of the people employed by the Canadian National that would reach the age of sixty or over this year. I think Colonel Biggar has that report. I ask that it be filed.

Mr. BIGGAR: This is a memorandum from the Canadian National Railways of the number of employees in the service on June 17, 1938, who have reached or will reach the age of sixty during 1938. It gives the number of employees, with the years of their birth, for the years between 1868 and 1878.

There are four employees who were born in 1868; then up till 1872 there is a total of ten. Then we begin to get into real figures. In 1873 there were 414; in 1874, 873; in 1875, 920. Then, in 1876, 1877 and 1878 we go over the thousand, and there are about 3,500 for those three years, making in all a total of 5,843. We have only got the total number of employees of the Canadian National for 1936. It is at page 73. The total number was 78,836.

The CHAIRMAN (Right Hon. Mr. Graham): That would not include the officials?

Hon. Mr. HAIG: It includes everybody.

Mr. BIGGAR: That will be Exhibit No. 96.

Hon. Mr. CALDER: What percentage would that be?

Mr. BIGGAR: It would be a little better than one-fifteenth; it would be about seven per cent.

Hon. Mr. MURDOCK: It does not give the classes. If an engineer was retired you could not fill his place with a section man.

The CHAIRMAN (Hon. Mr. Beaubien): It goes right along the line.

Hon. Mr. SINCLAIR: Have you similar figures for the other road?

Mr. BIGGAR: No. Senator Haig asked for that. I didn't know that it was available.

Hon. Mr. SINCLAIR: You had better get it for the other road.

Hon. Mr. HAIG: I should have liked to have it for the other road.

By Mr. Biggar:

Q. That can be got?—A. Oh, yes.

Hon. Mr. DANDURAND: I should like to draw the attention of Sir Edward to a statement which I think he could perhaps modify when he reads it again. It is in the last paragraph on the first page of the submission and says:—

I believe that it is fair to say that the officers of the Canadian National assume that the people of Canada desire to pay a large amount of money each year for the privilege of owning and operating a railway system, and do not wish the results of this railway to be subject to measurement by the ordinary yardstick of commercial administration.

I followed the evidence from its inception, and I would have no objection to the last part of the statement of Sir Edward; I think that would be a fair comment; but I doubt that he would maintain the affirmation:—

I believe that it is fair to say that the officers of the Canadian National assume that the people of Canada desire to pay a large amount of money each year for the privilege of owning and operating a railway system.

I think the officials of the Canadian National are as much interested, and more, if possible, than the officials of the Canadian Pacific, in trying to reduce the expenditure upon their own railway. And they have done so. But they should not be measured by the yardstick of the Canadian Pacific, which is simply to bring about dividends or profits for the shareholders. I think Sir Edward, while there is a distinction which he could make, is somewhat unjust towards the officials of the Canadian National Railways. I simply draw his attention to that statement which I have read, and which I think is somewhat unfair to the Canadian National officials.

Right Hon. Mr. MEIGHEN: Before you speak, Sir Edward, I want to make a statement. I take a different view from the leader of the Government. I think that is right at the root of our trouble. The duty of the officers and the staff of the C.P.R. may be expressed, as I see it, is to give the maximum of service and secure the maximum of earnings. That is to say, they have to have regard to the best interests of their company—of giving the public the best service and getting a return for that service. In my opinion the same attitude exactly, and no other, should be that of the officers of the Canadian National. Any other conditions are for Parliament and the Government, not for them at all; and it is just because they have sought to put themselves in the position of Parliament and the Government that we are in the position we are in to-day to great degree. They should have in their mind merely the maximum of service with a view to the returns of their company, and while they are talking on that subject they have just as much right to talk as the C.P.R. or anybody else. But when they are in the other field they are in a field which is not theirs, and which is entirely the prerogative of Parliament and the Government.

Hon. Mr. DANDURAND: But I draw attention to this. He wants to apply to them his own yardstick.

Right Hon. Mr. MEIGHEN: He should, too.

Hon. Mr. DANDURAND: But I draw his attention to the fact that he states:—

—the officers of the Canadian National assume that the people of Canada desire to pay a large amount of money each year for the privilege of owning and operating a railway system, and do not wish the results of this railway to be subject to measurement by the ordinary yardstick of commercial administration.

[Sir Edward Beatty, G.B.E.]

Right Hon. Mr. MEIGHEN: Certainly.

Hon. Mr. DANDURAND: That is the policy which governs the action of the C.P.R. But he says the Canadian National apparently do not want to accept that measurement. Undoubtedly the Canadian National officials want to accept that measurement, but with the qualification that they are serving the public on lines that are colonization roads and lean lines that must be maintained. And that they realize and know. I quite realize that there is a certain distinction, but I am not ready to accept the affirmation that:—

—the officers of the Canadian National assume that the people of Canada desire to pay a large amount of money each year for the privilege of owning and operating a railway system.

I do not suppose that anyone would like to fall under this declaration, although perhaps the people of Canada are desirous of paying a little more to save themselves from a monopoly. But that is another question.

Right Hon. Mr. MEIGHEN: That is the purview of Parliament, and is not theirs at all.

Hon. Mr. DANDURAND: They know very well what railway they have in hand, and what branches.

Right Hon. Mr. MEIGHEN: They should run it as a business enterprise to the utmost the circumstances will permit. They should not take into account the reaction on the public, except to the extent that it affects their dividends.

Hon. Mr. MURDOCK: Is there any suggestion that they have done that?

Right Hon. Mr. MEIGHEN: No. But they have been arguing here and in the press from the standpoint of what the people of Canada will demand. That is not their business. Their attitude here is, to my mind, illogical; and in that respect I differ from the view of the leader of the Government. I think it is because of that attitude that we are in the difficulties we are in, to quite a degree. They have not regarded themselves in the same way as men who are serving solely the interests of their shareholders, and seeking to give service but only for earnings.

Hon. Mr. MURDOCK: Neither you nor I would want dumb labour around having regard only to—

Right Hon. Mr. MEIGHEN: I have not said that.

Hon. Mr. ROBINSON: This is a great question, and if there is only one side presented to the public, how is the public going to get the true situation?

Right Hon. Mr. MEIGHEN: I have no hesitation in saying, "You can present your case to the public, but it must be your case as a railway." That is what they do not do.

Hon. Mr. ROBINSON: I think there has been more than a case as a railway presented to the public.

Right Hon. Mr. MEIGHEN: They regard themselves somewhat as the agent of the Administration to secure popular approval.

Some Hon. SENATORS: No, no.

Hon. Mr. ROBINSON: I know something about the railway situation and have lived among railway men. I take the stand that if there is a certain line of action to be presented to the public by one railroad and all its friends, and the officials of the other railway, who are the only other ones who have technical knowledge, are not allowed to say anything, the public will not get the facts.

Right Hon. Mr. MEIGHEN: We want the technical knowledge. I have no objection to that.

The WITNESS: May I change to something a little more pleasant? Senator Robinson made what struck me as an important observation before luncheon. It has to do with a thing I am not competent to discuss—that is the Canadian National Railway officials' ability to appear before the public, and how much they should say in respect of their own system and the railway situation. But there was a suggestion made that what I had said in favour of a unified management was in some respect a reflection on the personnel of the Canadian National. I looked up to see if I had said anything that bore that interpretation. I find that on February 15, 1935, I made an address to the Regina Board of Trade, and with your permission I shall read a very short extract from it. It is as follows:—

Whether the savings be \$50,000,000 or \$75,000,000 they will be important enough to lessen the burden of the country, and to bring us close to the end of the period of constantly compounding railway deficits.

My suggestion has met with much criticism. I am told that no one group of men could properly administer the unified railways—but surely this suggestion is not made seriously. We have available, in the staffs of the two systems, railway talent and experience fully adequate for the task. I think that I know enough about railroading to take pride in the ability, the loyalty, and the integrity of the staff of the Canadian National Railways, as well as in those qualities when exhibited by the officers and employees of my own company. I am told that I am talking of setting up a great monopoly which might become oppressive. Do you picture any government agreeing to unification on terms which would permit this? Or surviving if it did? I am told that rates might be raised. The rate structure in this country has not been kept low by competition, but by common sense on the part of railway men and supervision by the Board of Railway Commissioners. Those forces will still be effective, and any one who argues to the contrary can only be doing so in order to delude you.

Then I go on with the labour situation—perhaps I should not bother you with that—but I just mention it for the purpose of indicating to you that, so far as I am personally concerned, I would like to be absolved from any suggestion that I reflected in the slightest degree at any time on the management or employees of the Canadian National Railways.

Now, we had another question raised this morning as to unification. I think it was developed by Senator Dandurand. I thought perhaps the committee might be interested in hearing a statement by Mr. D. B. Hanna in the Annual Report of the Canadian National Railways of 1921, printed in the Annual Report of the Department of Railways and Canals, 1922, page 26. The reason I bring this to your attention is the fact that it seems to have been overlooked that what I have suggested in the way of unified management was exactly what the Canadian National themselves did when they finally secured control of these companies. And they were applauded for doing so and quite properly, because I do not believe there is any man in Canada would say to-day that it would have been the part of wisdom for the Government or the Canadian National, having acquired these properties—it is quite true there is a difference in this case because of the fact that the ownership is common—to continue to operate them in competition instead of, as they decided to do, under one joint board with a common administration. Mr. Hanna says:—

This co-ordination affected only Western lines, yet on account of the fact that the lines being amalgamated served much common territory the consolidation for operating purposes involved a general rearrangement of train service to secure the shortest and most suitable routes. Arrangements were also made for the joint use of terminals and other facilities.

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A number of duplicate offices were abolished, and certain stations, freight sheds and roundhouses have been closed. A number of rail connections were required and have been put in; others have yet to be constructed. The carrying out of this co-ordination programme has of course resulted in substantial savings in operating expenses. The changes made have also enabled passenger train services to be improved, permit of short routing of freight, and in general have resulted in giving the National System a greater capacity to handle business and give good service to the public. When the full programme is completed further advantages of this kind will be secured. I am probably a prejudiced witness in anything pertaining to Mr. Hanna, because our relations with him over a long period of years were so satisfactory. If he had remained in office, I think a great many of these problems which you gentlemen are being bothered with to-day might have been avoided. However, you can appreciate from his comments that the theory upon which he worked was exactly that upon which we based our conclusions, that these unification proposals would effect great savings. They have undoubtedly effected great savings in the Canadian National Railways. It was the sanest and probably the only possible course that could have been taken under the circumstances.

By Mr. Biggar:

Q. That covers that point?—A. Yes.

Q. Now, Sir Edward, I hate to ask you to come back to an unpleasant subject, but dealing with that passage in your submission of this morning to which Senator Dandurand called attention, would you indicate what if any relation that passage has to the passage from your evidence before the Royal Commission which is quoted in paragraph No. 148 of the Commission's report? Have you got that report before you?—A. Yes, sir. That observation of mine which is quoted by the Commission follows a similar one by the President of the Canadian National Railways in paragraph 147.

Q. Yes; and that observation of the President of the Canadian National is in the record, at page 1038.—A. Yes, I notice it has been referred to. But paragraph 148 was not quoted at that time. This is the quotation:—

The President of the Canadian Pacific appeared to be more concerned over the activities of what he termed "politically-minded" executives of the publicly-owned railway than he was over straight political pressure for definite ends. He said:—

We talk a great deal about political interference being damaging to railway operations, and we know that that is true, generally speaking. But when we say it we seem to think the only political influence is that exercised by a government, or a member of government, or a member of parliament. To my mind the worst kind comes from the political attitude of men in publicly-owned institutions. Possibly they are not conscious of it, but they become politically-minded; their policies and actions have a political tinge, and that, from my standpoint, is more serious as representing the attitude of the corporation than the isolated act of a member of parliament who tries to get a man employed.

Years ago the ability of privately-owned railway companies to withstand political pressure was somewhat limited. To-day it is nothing like it was, because we can say "No" to that kind of pressure. But the politics that develop inside an organization because it is publicly-owned, and not privately-owned, is a serious thing.

We spoke of not being able to anticipate what government policies would be towards any railway, and I believe we cannot tell from year to year what the policy of any government would be in respect of its

railway property. Providing it owns it, and has a measure of control of its policies, and so long as they are putting up the money we cannot avoid that possibility.

Q. It is the first of the three paragraphs of that quotation that I thought perhaps had some relation to that passage on pages 1 and 2 of your submission this morning.—A. That is right; it had. It is a following-up of the same idea emphasized by the insistence of Mr. Hungerford and his officers that he was in a different position from us, that he had to have regard for public interest in all the things he did. He seemed to draw a distinction between us and them all the way through. As a matter of fact I do not believe that such a distinction should exist. We are both public service organizations and we both have obligations to the public as such.

Q. You are referring to what Mr. Hungerford said in his evidence before the Committee, as appears at pages 1067 and 1068, I think, are you not, that the question of policy was not for him?—A. Yes, that is the reference.

Q. You were going to add something on the question of ocean steamships?—A. Just by way of explanation, Colonel Biggar, you will recall that in my submission I said that if the Government, after giving consideration to the very important questions of national marine policy involved, decided that the ocean services should be included, I thought it could be arranged. And I thought the Committee would like to know the reason for that position. As you know, we have steamship services on the North Atlantic and the Pacific. We operate from Montreal and Quebec in the summer to British and continental ports; and we operate from Vancouver to the Orient, and from Vancouver to Australia and New Zealand by a line known as the Canadian-Australasian line, in which we have a half interest. Each of these services meets with different competition. On the Atlantic we compete with the Cunard-White Star and Donaldson lines between Canadian ports and the United Kingdom, and are in active competition with many lines out of New York and other United States ports. During the season of St. Lawrence navigation there are seven lines competing with us in freight traffic, five of these being purely freight lines. During the winter season the competition in both freight and passenger traffic is increased to the extent that twelve lines in passenger service and nine in freight service call at Saint John and Halifax, being British, German, Dutch, Polish, American and other lines, most of which make these ports of call en route from and to United States ports.

On the Pacific we meet passenger competition from the American Mail Line, that is the Dollar Line, the Blue Funnel Line, the Japanese Nippon Yusen Kaisha, and the Silver Java Line, and there is freight competition from American, British and Japanese lines.

While there are some government-owned steamship lines of foreign countries, the general custom on the ocean is for steamships to be operated by private interests—any governmental assistance being given, where necessary, in the form of subsidy. It is conceivable that the Government of Canada might not wish to disturb the existing situation in respect of services to and from Canadian ports provided by a number of independent private steamship companies of British and other ownership. These would claim that the influence of the Government, through its participation in the earnings of the Canadian Pacific Steamships, would be brought to bear in favour of that Company and against its competitors, which would be resented. All the power of these lines, particularly the British lines, would be exerted on our Government to prevent this course and I do not know what the attitude of the Dominion Government would be. I presume it is satisfied with the existing competitive situation. So far as I am personally concerned I have an open mind on the value of the inclusion of this non-railway activity. Obviously, no special

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advantage would result, as the change would not affect the savings from united management of the country's railway lines and the Canadian Pacific would expect to be added to its share of the earnings of the united system. The question, as I have indicated, is one for Government decision and if there were any keen desire for the inclusion of these earnings, I would be prepared to agree, although I could not anticipate the view of our shareholders. It is not a matter which can be determined by either this Committee or myself.

That, of course, as you gentlemen who have knowledge of Maritime affairs know, is a very complicated situation. If our British competitors in particular thought that the Government was putting itself in a position to favour Canadian Pacific steamships by reason of its interest in their earnings, I am afraid we should have some very serious opposition and critical comment. It is one of these questions we cannot determine now, but I thought I might as well outline to you what the situation has been. The Cunard-White Star and the other British lines are very aggressive, as you know, and they would not let this pass unchallenged, so I could not anticipate what the final position would be.

Q. The next passage in the submission you made this morning, to which I wish to direct attention, is on page 2 of your memorandum. You say:—

Important measures of joint economy will never be effected in Canada until some arrangement is made by which their results are shared automatically by the two railways.

Would you explain that a little, particularly with reference to Senator Hugessen's suggestion of this morning?—A. I think the expression there is almost self-explanatory. But the fact is that when we have piecemeal co-operation we have to anticipate as well as we can what the final results would be to each company probably a great many years hence. That introduces an element of uncertainty. If on the other hand it was a matter of just putting two facilities together because we had a common interest in the result, we would not have to face the future at all, as we jointly and equitably share in that result. That is inevitable in any case where you have a partial plan and you have a complete plan. Personally I have always been of the opinion that the maximum results could only be secured when there was only one treasury into which all these savings went.

Q. And you do not think there is any alternative method of arriving at that situation except unification?—A. No, there is no alternative which would carry you the same distance.

Q. Is there any alternative which would carry you a comparatively useful distance?—A. Well, I speak subject to Senator Hugessen's suggestion on the application or possible application of the British system to the Canadian situation. I have always been fearful that we would find our conditions so entirely dissimilar that it would not fit our picture; but I am going to suggest to the Committee that before it rises it might hear a little more detailed explanation of that British situation. The Secretary of the Canadian Pacific Railway is an Englishman, who has worked in England and has made a special study of the English Act, results and methods. The Committee may not wish to hear witnesses, but I think it should have some form of submission to summarize the history of that English situation. Senator Hugessen was right in the statement he made this morning that it was something less than eight years ago when this pooling that he spoke of was put into effect in England, though I thought it began earlier. But if it did operate in a limited way before, it has reached its maximum now. I think it should be explained to the Committee, because it is a very good example of what they have accomplished under their system, in rationalization, in the improvement of the art and in their defiance of competition and all its alleged virtues, as well as in the savings that they have secured by greater efficiency.

Q. And could that be dealt with in a memorandum that might be made available?—A. It could be made ready for the Committee to-night or to-morrow, if you wish it.

By the Chairman (Right Hon. Mr. Graham):

Q. I rather agree with you, Sir Edward, that there are dissimilarities existing between the two countries to such an extent that it might be very difficult to adopt the English system here with success.—A. It might be. I am inclined to think that myself, sir. But Senator Hugessen rather suggests that some phases of it might be adopted with profit in Canada.

Q. You have no opportunity here, at present at least, to control the truck traffic.—A. No, Senator. And we cannot zone in this country. Our railways happen to be parallel right across the country, so zoning is out of the question.

Q. They have a density of traffic there, so it is much easier to control a large situation that it would be here.—A. Quite true. Also, they have no fear of a monopoly over there.

By the Chairman (Hon. Mr. Beaubien):

Q. On the other hand, Sir Edward, I understand they have pooled all their freight.—A. They have done the most extensive pooling, I think, that has been accomplished in any place in the world, Senator. I must confess I do not know the details of it. It is a complicated situation because they have an entirely different rate structure from what we have. They have always had terminal rates in Great Britain.

By Hon. Mr. Calder:

Q. In his address Mr. Waters makes a statement to this effect: that for years the British merchants were fearful of the lack of competition, and to-day all they do is to send goods to the station, where they are taken care of, and they do not know just how it is done.

The CHAIRMAN (Hon. Mr. Beaubien): And they are quite satisfied.

Hon. Mr. CALDER: Apparently it was the merchants who asked for that pooling, and not the railways.

The CHAIRMAN (Hon. Mr. Beaubien): The Government installed that system, and it has progressed under them.

The WITNESS: Yes; and labour, I understand, was very satisfied with the results.

Hon. Mr. CALDER: We had two delegations yesterday representing labour. They took issue with the statement made by Sir Edward Beatty with regard to taking care of the labour situation. Are you not going into that, Colonel Biggar? They gave figures yesterday that disagree entirely with the figures Sir Edward Beatty gave earlier.

Mr. BIGGAR: I do not know whether Sir Edward intended to do that, or whether it was to have been presented by Mr. Coleman.

The WITNESS: I can give the source of the record of which I gave the committee an outline on my first submission, if you like to have it now. It is an extract from our staff records taken right from the records. It shows the resultant figures I gave you, and how they came about. It cannot be wrong, for, as I have said, it is an extract from our staff records. It shows the number of resignations, the total voluntary withdrawals, those that are pensioned, those that retired without pension, those that are deceased, those that were dismissed, and the total separations. For the year in all classes in 1937 the percentage turnover or attrition was 6.2 per cent; in 1936, 4.6 per cent. This, I think, makes an average of 4.8 or .5 for the two years.

By Mr. Biggar:

Q. Does that give the separation from the service by classes of employees? —A. Yes, by classes of employees.

Q. That might be a help to us. We can make that part of our proceedings.—A. Yes, I shall be glad to file this statement.

[Sir Edward Beatty, G.B.E.]

By Right Hon. Mr. Meighen:

Q. Is your average not wrong, Sir Edward?—A. The average for the first year, that is 1937, was 6·2, and for the second year, 1936, 4·6.

Q. It would be more than 4·8?—A. It probably would be because the withdrawals in 1937 were greater than in 1936.

Mr. BIGGAR: Yes, it would make 5, something.

By the Chairman (Hon. Mr. Beaubien):

Q. Did you not say, Sir Edward, in one of your speeches that according to the statistics in the United States there was about the same proportion of men who for natural reasons left the employment of the companies?—A. Yes. Mr. Eastman's report, or the department which reported to him, finds the average to be around 5 per cent.

Q. Is not that the same proportion in Great Britain too?—A. I am not familiar with the British figures.

By Hon. Mr. Horsey:

Q. Are the proportions somewhat the same between the different classes of labour?—A. There is quite a difference.

By Hon. Mr. Murdock:

Q. It is also said, Sir Edward, that Canadian railways' employees are 40 per cent greater than on United States railways.—A. Per unit of revenue.

Q. Don't you think there could not be anything in the world more untrue having regard to the actual facts than a statement of that kind?—A. No. I quoted you the authority for it when I was here before.

Q. Will you pardon me if I quote them?—A. Yes.

Q. It is suggested that because a statistical comparison of railway employees per \$1,000,000 revenues shows Canadian railways to be 40 per cent in excess of United States railways, that therefore Canadian railways labour is inefficient.

Year 1936	Canadian railways	Class 1 U.S. roads
Gross revenues.. . . .	\$334,765,557	\$4,051,196,452
Average number of employees.. . . .	123,818	1,065,624
Number of employees per \$1,000,000 revenue.. . . .	370	263

Canadian railways are 40 per cent greater than United States railroads. Is not the true explanation simply that the United States roads have a greater amount of traffic per mile of line?

Year 1936	Canadian railways	Class 1 U.S. roads
Gross revenues.. . . .	\$334,768,557	\$4,051,196,452
Miles of road operated.. . . .	43,687	236,226
Average revenues per mile of road.. . . .	\$7,662	\$17,149

Canadian railways are 55 per cent less than United States railroads.

Hon. Mr. HAIG: I cannot follow what you are trying to prove.

Hon. Mr. MURDOCK: I don't think you will after I get through.

Hon. Mr. HAIG: Perhaps not.

Hon. Mr. MURDOCK: It has been truly said that there are none so blind as those that won't see.

Hon. Mr. HAIG: I thank you very much for the compliment. Please go ahead.

Hon. Mr. MURDOCK: Don't mention it.

Here is a comparison of employees per mile of road operated.

Hon. Mr. HAIG: What is the honourable gentleman trying to tell the other members of the committee?

Hon. Mr. MURDOCK: I am trying to show that the statement that there are more workers per unit of operation in Canada than in the United States was just pure and simple nonsense and a gross reflection upon Canadian railroad men. The revenue of the United States railway was \$4,051,000,000 odd while in Canada it was only \$334,000,000 odd. It was argued that it took so many more employees to make \$1,000,000 revenue in Canada than in the United States.

The CHAIRMAN (Hon. Mr. Beaubien): Will you give us the per mile of revenue?

Hon. Mr. MURDOCK: The average revenue per mile in Canada was \$7,662, as against that in the United States of \$17,149.

Let us make a comparison of employees per mile of road operated:

Year 1936	Canadian railways	Class 1 U.S. roads
Average number of employees.. . . .	123,818	1,065,624
Miles of road operated.. . . .	43,687	236,226
Average number of employees per mile of road operated.. . . .	2.83	4.51

Canadian railways are thus 37 per cent less than United States railroads. That is what I wanted to get on the record.

Hon. Mr. HAIG: Per mile?

Hon. Mr. MURDOCK: Yes.

Hon. Mr. CALDER: Is anybody objecting to those facts, Senator Murdock?

Hon. Mr. MURDOCK: No; only we had these inaccurate statements that in Canada the railroads employ over 40 per cent more workers than do the Class 1 railroads in the United States. My friend the chairman made that statement in his first speech on this subject in the Senate. I questioned it then because to me it is absurd.

The WITNESS: It is true.

The CHAIRMAN (Hon. Mr. Beaubien): Will you give me the figures?

Hon. Mr. MURDOCK: I will give you a copy.

Hon. Mr. CALDER: I suppose in Great Britain on account of their conditions the situation in that respect would be even more exaggerated.

Hon. Mr. MURDOCK: I do not doubt it. The point I am making is that, as I have said, it is a reflection on Canadian railway employees, and is totally misunderstood.

The CHAIRMAN (Hon. Mr. Beaubien): Senator Murdock, from your first calculation, it seems to me that to earn \$1,000,000 in Canada you have 3.7 employees; and for the same earning in the United States you have 2.63 per cent. This means you have one-third more employees per \$1,000,000 produced by the railways in Canada than in the United States.

Hon. Mr. MURDOCK: What a reflection on our Canadian railroad men?

The WITNESS: That is no reflection on your people.

Hon. Mr. MURDOCK: But what nonsense to place that responsibility upon the workers.

The WITNESS: We are not. There was nothing further from my mind.

The CHAIRMAN (Hon. Mr. Beaubien): It could not be a responsibility of the workers. It is the responsibility of the company that engages the workers.

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But it shows one thing very clearly, that in Canada to do the same job you have three men to the United States' two.

The WITNESS: No.

The CHAIRMAN (Hon. Mr. Beaubien): By revenue.

Hon. Mr. CALDER: Let a railway man explain it.

The WITNESS: The statement which Senator Murdock quoted is quite correct. He says it is a reflection on our workers, but I cannot read anything of that kind into it at all. He also says it can be explained by the difference in the conditions in the two countries. Yes, probably it can. But the fact remains that on a revenue basis, that is, on an earnings basis, there are 40 per cent more workers on Canadian railways than on United States railways. That is all.

Hon. Mr. CALDER: And it may be necessary.

The WITNESS: It probably is necessary. I should be very sorry, Senator Murdock, if you draw the inference that that was some kind of a reflection on labour, because that was the last thing in my mind.

By Hon. Mr. Murdock:

Q. Sir Edward, in that paragraph, of which I read only one sentence, I should like to know of any railroad employee anywhere on this continent who would read it without regarding it as being a reflection on Canadian railroad men? And I am talking with some knowledge of the matter.—A. I know you are; but I cannot read that into it. It certainly was not intended to reflect on anyone. It is just the fact that we have 40 per cent more employees per million dollars of revenue than have the United States roads.

Q. And you were putting \$334,000,000 as against \$4,051,000,000?—A. Certainly.

Q. And holding it up in a way as the employees' fault, as chargeable to the employees?—A. No such thing at all.

Hon. Mr. HAIG: It does not say so at all, and never was intended to say so. After all the abuse of myself, he has to come back and admit the correctness of Sir Edward Beatty's statement that there are 40 per cent more persons employed in Canada on the railroads than there are in the United States to earn the same money. There is a reason for that: the territory is wide and there is not the same chance to earn revenue as there is in the United States.

Hon. Mr. MURDOCK: I am correcting that statement because it is unqualifiedly untrue.

Hon. Mr. HAIG: We will see about that. You are not the only judge—fortunately for me. I admit you are badly prejudiced, but ignorance is no excuse.

Hon. Mr. MURDOCK: The gentleman said there were 40 per cent more men on the Canadian railways earning the same amount of money. I think that is what the record will show.

The WITNESS: No, it does not say that.

By Mr. Biggar:

Q. That document you were good enough to say you would leave with us will be Exhibit No. 97.—A. This one about the withdrawals?

Q. Yes.—A. Yes.

Q. Now, the next question I wanted to mention to you was one that I would have put to Mr. Coleman if he had been here. It arises from that passage on page 3 of the submission you made this morning with regard to the possible saving of \$75,000,000 in normal times. At the suggestion of one of the members of the committee I asked Mr. Flintoft, during the recess, if the extent to which that was affected by what had happened in the last six years could be calculated item for item. I understand that it cannot.—A. I do not think it could be done

in any short period of time, Colonel Biggar. I do not say it is impossible to do it, but I think that for your purposes Mr. Flintoft's answer was probably the correct one.

Q. I see. Now, the next point is with regard to the remark on page 6 that:—

It was argued—and without qualifications—that \$35,000,000 or \$24,000,000 per annum could be saved.

I think that, in one respect, is inexact. I think it is quite true with regard to the \$35,000,000 estimate, which is Exhibit 41, at page 300; but I find that it may not be exactly accurate with regard to Exhibit 44. I have been asked to call attention to that, and I can only do it while you are here. That is the distress budget we were speaking about this morning, and that budget gives a possibility of a large amount of savings—\$10,000,000 by reason of an additional wage cut of 10 per cent; \$10,000,000 by reason of rate increases, average 5 per cent; another \$11,000,000, by an estimated increase of 10 per cent in the traffic volume by 1936, and an additional \$18,000,000 by a 20 per cent increase in traffic volume. Then the last item of that series is, "C.N.R.'s proportion (assumed 50 per cent) in co-operative measures, \$12,000,000." Then the remarks which immediately follow are these:—

These, and the previous figures relating to extraordinary measures, are to a very considerable extent hypothetical. They are based upon an extensive rearrangement of the organization, difficult of accomplishment, and upon a change in purchasing policy which ignores sectional and industrial interests in Canada as well as curtailment of services and abandonment of lines which, while not pushed to the extreme, nevertheless would bear heavily upon the more thinly settled parts of the country, and as regards wage changes, upon the willingness of organized labour to accept reductions without strenuous opposition. The program contemplates for instance, among other things, the removal of the regional headquarters from Toronto and Moncton, the partial or complete closing of shops at Winnipeg, Moncton, Toronto, Stratford, Quebec, London, and other points, and the use of Canadian coal and other materials only where they could compete on a price basis with foreign goods. This latter provision would mean, for instance, that no rails would be purchased in Canada and that coal purchases in Canada would be drastically curtailed, both in the east and west. As regards wages, negotiations are at this moment in progress for a 10 per cent reduction applicable to such employees as have not as yet accepted it. These negotiations relate to a temporary reduction for one year only. What might happen in the event of making the reduction permanent or of making a further cut of 10 per cent is very problematical.

Not only are these figures hypothetical, but they are likewise not completely realizable in an additive sense. The items so interlock with each other, and the railway itself is such a large factor in the national economy that there is a tendency for the savings to become elusive. Nevertheless the figures are comparable with the expected results of any program aimed at achieving very substantial reductions in railway expenses in this country, for it is a fair criticism to make that theoretical economies predicated upon drastic changes are seldom if ever realizable to the full.

Right Hon. Mr. MEIGHEN: That is Mr. Fairweather.

Mr. BIGGAR: That is Mr. Fairweather, and relates to his evidence with regard to this estimate at page 195, and again, with regard to this and other estimates, at page 206 of the Proceedings. Mr. Rand called my attention to that passage, and while we are on that point I may say that this is the only

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exhibit of any significance that has not been printed in the committee's Proceedings. It runs to about 30 pages of typewriting. I do not know whether the committee would like to have it printed in view of the importance recently attached to it.

Right Hon. Mr. MEIGHEN: I do not think so.

Mr. BIGGAR: No.

By Mr. Biggar:

Q. Now, Sir Edward, there is a passage at the bottom of page 10 of your submission of this morning:—

It has been admitted that the present railway situation produces losses to the public treasury which are of an alarming nature.

Now, in order to remove any misconceptions on the point, there is no doubt that the losses to the public treasury, according to the present set-up, are \$50,000,000 a year, practically, are they not?—A. The interest is \$50,000,000 a year according to the present set-up, and the losses would be the difference between that and the amount of operating revenues which may be applied to the reduction of it.

Q. They were about \$8,000,000 last year?—A. Eight or nine million dollars.

Q. And as I understand the situation, this suggestion for unification is really independent altogether of losses. It would be just as effective if the Canadian National were paying all its fixed charges, and something in addition.—A. It would be more effective. It would pay more money.

Q. Suppose the division was 50 per cent to revenue, on the figures your officers have given the range would be somewhere between \$35,000,000 and \$40,000,000?—A. Yes.

Q. And it really means that the problem is whether that amount or something like it is capable of being applied in relief of taxes?—A. Yes.

Q. Quite independently of whether the Canadian National loses money or makes it?—A. There is only this distinction in the two cases. If the Canadian National were earning all the money required to pay the interest on its securities in the hands of the public, let us say, roughly, \$50,000,000, and the Canadian Pacific were earning enough to pay reasonable dividends, there would be a very great saving, because that would indicate the extent of the business they were doing, and the greater the business the greater the saving.

Q. So, on that footing, going back to 1928, the figure would be substantially increased over the figure calculated from 1930?—A. Oh, yes.

Q. Just as it is decreased when calculated on 1937 as compared with 1930?—A. Yes.

Q. Now, can you add something to the proposal that is contained with regard to the examination of the situation by engineers? A reference was made to that in the discussion this morning, but you did not get an opportunity to make any remarks on it.—A. It is on the last page, No. 12. I felt that that would help the situation in this way. The committee has been very patient. You have sat here day after day for weeks and listened to a great deal of technical evidence from men who take different views of the estimates and their accuracy. I felt that if you had an entirely new approach to the problem on the factual side, by thoroughly trained experts, they could give a report to the Government which would either convince the Government that there were or were not substantial savings; and from what Senator Dandurand said on more than one occasion, and quite properly, that is a factor which must be taken into consideration when the advisability of a transaction of this kind is being considered. I realize that if negotiations were entered into, they would be complicated and difficult, and there would be views to harmonize, which

would take considerable time; but I felt that if you had a background of independent figures from independent experts the negotiations would be greatly facilitated, to say the least, and we would have a lot of information on the subject which probably could not be successfully attacked by either railway.

Q. I have appreciated, I fancy, as fully as anybody here the difficulty of following these technical problems with regard to matters relating to railway operation, of which I know nothing. But would it be possible in your opinion to employ a firm of engineers who would be completely free from any prepossessions?—A. Oh, yes, there are firms. Of course they are American firms, but they have in them Canadians who have done this very same kind of work in connection with American railroads, and are capable of producing very competent reports.

Q. And are there firms which, if selected by the Government, you would be quite satisfied to rely upon?—A. Yes. As a matter of fact, I think if a selection were made it should be made by the Government and ourselves, so there would be no question of any influence.

Q. You do not think there would be any difficulty in reaching an agreement between you and the Government?—A. No.

Q. On the question of a competent firm?—A. No.

Q. Whose report could be relied upon by both of you?—A. I do not think there would be any difficulty, because the firms have an international reputation.

By Hon. Mr. Calder:

Q. And that firm would make a report only of facts, and no recommendations?—A. They could report on facts. They would have to develop the facts first, but from those facts they could draw certain deductions and the Government could weigh their importance.

By Hon. Mr. Dandurand:

Q. I could quite understand that on certain lines an accounting firm could proceed and indicate what would be the advantages or benefits to be obtained, but I am wondering if there is not a large field which is based upon different conditions affecting the whole physiognomy of the railway system which would have to be indicated to these accountants before they could give an estimate of what the savings would be.—A. These men would be engineers. They would make a complete inspection of the physical properties of both railways as well as go through their accounting practices and would reconcile and adjust their accounting figures. But not the least important part of their work would be the physical examination of the properties.

By Hon. Mr. Calder:

Q. Have they had such experience?—A. Yes. Railroading is railroading all over the world, and being familiar with the American situation they would not meet many surprises over here.

By Hon. Mr. Dandurand:

Q. Is it in your mind that they would make recommendations as to certain economies which could be made by altering the routing of railways and so forth?—A. Certainly. I would think so. I would think that would fall within the purview of their instructions, Senator, and I do not know why they should not do it. They could certainly go a long distance. They would have, of course, to sit in with the officers of the two railway companies all the way through. They would have to get not only their data but the knowledge that these men possess as to local conditions. It might take six or nine months because it is a large piece of work.

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By Hon. Mr. Calder:

Q. Our difficulty here is that we get two sets of evidence and they do not jibe. The purpose of a body of engineers like that would be to get these officers together and thrash this evidence out, which we cannot do in this Committee.—A. There will be a great many facts which would be agreed upon.

By Hon. Mr. Hugessen:

Q. That would be their principal function, to try to reconcile the two sets of statements which have been made to us.—A. Or a new set of statements.

Mr. BIGGAR: I have no other questions.

By Hon. Mr. Dandurand:

Q. You will remember, Sir Edward, that there was such an expert selected by the Duff Commission, Mr. George H. Parker, an accounting solicitor, a United States railway expert, of Washington, who was engaged to harmonize, if possible, the revenues and expenditures of the two railways, for the Duff Commission. He called himself a railway analyst. You have no idea of the work he did?—A. I have not personally, Senator. I did not know anything about Mr. Parker. I know he was added to the staff of the Royal Commission. I never heard of him before or after.

Q. I understand that a \$15,000 fee was paid to him, and his name does not even appear in the report of the Commission.

Right Hon. Mr. MEIGHEN: It must appear in the financial report.

Mr. BIGGAR: I understand that Mr. Parker was a lawyer and an accountant, not an engineer.

By Hon. Mr. Dandurand:

Q. Your idea, Sir Edward, would be to give a mandate to a firm of accountants to go into the whole problem that we have studied here the last month?—A. Yes sir, that is the factual part of it—engineers and accountants, Senator; you know, they cannot overlook the physical side of this, because that is important.

By Hon. Mr. Calder:

Q. There is one point I should like to have cleared up a little more. When Sir Edward was here before I got the impression, after he had completed his evidence, that if unification took place there could be no unscrambling, that unification would be permanent. But this morning, on a question from me, he said there is a possibility of unscrambling. Now, let me put the situation. Suppose there is unification and the combined systems reroute their traffic use common terminals, have all their telegraph work done over one telegraph system, and the express companies are united, advertising is all done in common, and so on—

Hon. Mr. DANDURAND: And they lift one thousand miles of rail, say.

Hon. Mr. CALDER: I think we can forget the suggested abandonment of 5,000 miles of rail.

Hon. Mr. DANDURAND: 1,000.

Hon. Mr. CALDER: Yes, 1,000.

The WITNESS: That is agreed on now.

By Hon. Mr. Calder:

Q. My own view is that, from the evidence so far, there will not be much abandonment. There will be rerouting, which will leave probably in the neighbourhood of 3,000 miles to be used as service line with something like tri-weekly service and that sort of thing. Well, just picture what will take place in a period of, say seven years, under unification. All the telegraph lines

will be thrown together; all the traffic will be routed on the heavy lines, the better lines, of both systems; many joint operations will be carried on in the shop work, and ticket offices wherever possible will be united. Now, do you still think, under these circumstances, that if that process is carried on for, say fifteen years, there would be a possibility of unscrambling? And if it is possible, it will necessarily mean that where facilities are used for this common purpose they will have to be continued to be used, under agreement, after the unscrambling takes place?—A. If you will recall, Senator, I gave you the same answer when you first asked the question as I gave you this morning. I said it would be extremely difficult, but not absolutely impossible. Now, probably I can give you an idea of how a united company would go about this work. When they would be planning their physical changes in order to bring about economies they would find places where they would have a joint terminal, say. They would establish that joint terminal and they would decide whether that joint terminal would continue, if they were divorced later. They would decide to depreciate the standard of maintenance of one line in favour of another line where the service could be given more cheaply. If they decided when they were divorced again, unscrambled, to restore that line, they would have to put up a rehabilitation account and charge it over the intervening years so that they would have the money necessary to turn that back in the condition in which it was when they first got it. That is an extremely difficult thing to anticipate. I do not think that anybody, even the best railway expert in the world, could sit down and tell you gentlemen what would remain unscrambled or what would be divorced. But I do know that the extent of the economies would be very materially reduced if a large section of the combined systems was decided to be delivered back to the original owners, because you would have to get ready for it.

Q. As I see it, your difficulty in connection with unscrambling would be mainly in connection with your offices and terminals and shops. In so far as the railways are concerned, they would stay there.—A. They might have to be changed, because there would be some abandonments. They would be restored if it was in the interest of the public and the railway that they should be, and they could only be restored out of joint earnings.

Q. Your idea is that there should be a rehabilitation fund set up?—A. That is the only way to do it. I am not in favour of it, because I think it would be a silly thing to plan for unscrambling. I believe if you made up your minds that unification was the way out of the present difficulties we should go about it as a national policy. And then if we developed something later which we thought was more feasible, we should go into that.

By Hon. Mr. Buchanan:

Q. You said this morning you did not think there would be any demand for unscrambling.—A. No, I do not think there would be. I think if the work was done properly and the service was given in a high state of efficiency, the people of the country would be very glad to have unification perpetuated.

By the Chairman (Right Hon. Mr. Graham):

Q. On one occasion a prominent solicitor, who was head of the legal department of the Canadian National Railways,—A. Yes, Mr. Ruel.

Q. —appeared before a Committee—A. This Committee, in 1933.

Q. —and he outlined a scheme for unscrambling. That question was put, if you remember?—A. Yes.

Q. And if I remember, he rather wound up with the idea that you have expressed now, that while there might be legislation to provide for unscrambling, it would be almost impossible to do, and if anything had been gained by unification it would be lost in that unscrambling?—A. It would be in the limited time

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which Mr. Ruel gave, which was ten years. You would not be finished in five years, and then you would have to start to prepare for the unscrambling.

Q. I am rather of the view that if the country and the railway went to all this trouble and expense of setting up a new plan of operation it would never be unscrambled satisfactorily. Of course, that is only my view.

Hon. Mr. McRAE: I think, Mr. Chairman, it is a case of no divorce.

Hon. Mr. DANDURAND: Here is the opinion of Mr. Hungerford, as he expressed it the other day. I am reading from page 1053 of the proceedings:—

In the absence of knowledge of the exact terms of the proposed partnership it would be idle to speculate upon this aspect of unification, although it may be fitting to remark that a partnership between such diverse interests as public and private ownership is liable to produce a number of unforeseen problems which might conceivably involve the State to an extent never contemplated in the original contract. The reason I hold this view is that there would tend to be a conflict of interests in a partnership between the public on the one hand and private interests on the other.

I draw the attention of Sir Edward Beatty to what Mr. Hungerford said as he continued:—

Public interest is properly and primarily concerned with the use of the railway property for purposes of national development and national policy; private interests are primarily concerned with profits and dividends. The Joint Board of Directors representing such diverse interests would, in my opinion, quickly get into difficulties and, since the properties could not be unscrambled, the State could only break the stalemate which would result either by acquiring the Canadian Pacific property or by making some concession in the form of guarantees or otherwise. The present proposal for unification has neither the merits of public or of private ownership and, in my opinion, is impractical and would conceivably lead to serious involvement of the State.

I read this because I foresee this difficulty with a board composed of representatives of private interests and of the public. If matters did not turn out well and the railways felt the pinch, if their returns declined, I fear that the representatives of private interests on the board would make a great effort to bring about drastic reforms which those members of the board who represented the public would consider to be against the public interest and contrary to what was necessary for proper service. If a clash developed there, the representatives of the formerly State-owned railway would report to the Government, and the representatives of private interests would probably complain that they suffered through lack of co-operation from the other side. Then, if because of the Government's intervention the board decided upon a policy in the public interest but detrimental to the shareholders, the State would probably have to give some compensation. I quite realize there would be opportunity in such a board for a divergence of opinion, which would lead to a condition such as was described by Sir Joseph Flavelle as being intolerable, and the people would finally say, "Well, we must break this combination." But that would be a difficult thing to do, since it would be impossible to unscramble the roads. I am emphasizing an argument I made this morning that there would be danger of our moving towards State ownership if representatives of private interests sat on a board with representatives of the public.

The WITNESS: Well, Senator, I of course agree with something of what you have said. You should never move towards State ownership if you can avoid it. But my view of that situation is not nearly as serious as the one you face. I don't believe these ten or fifteen or eighteen directors are ever going to be actuated by different motives once they start to operate these unified properties.

Don't forget, they are an operating board only. They are not the representatives of the owners of the property in that sense. They are the directors of an independent company, with whom a contract for operation of both systems is made, signed by the Canadian Pacific on the one hand and the Government of Canada on the other. I do not believe you are going to have that split in interest or in objective; but if the Government of Canada in a serious situation said, "We, in the national interest, propose that certain things should be done by you as the operating entity," I imagine then the Government of Canada would also say, "We will make adequate compensation if our proposal is against your judgment so far as your earnings are concerned."

By Hon. Mr. Calder:

Q. From that I understand the C.P.R. representatives appointed to that board, once they are appointed, would in a sense, and I think in a proper sense, cease to be C.P.R. officials; they would be operators of the joint mileage?—A. Absolutely.

Q. They are not there to represent particularly the C.P.R.?—A. No; they are there to protect the earnings of the united company.

Q. Yes.—A. And presumably they would get their share in these earnings, and the Government would get their share. So their interest would be absolutely identical.

By Hon. Mr. Murdock:

Q. Would they not be there to protect the interests of the preference shareholders of the Canadian Pacific?—A. We have to take our chance of what those earnings will give us.

Q. I understand you are not prepared to divulge the details of what you are going to do in that connection?—A. No, because I have not any idea what the final agreement between the Government and ourselves would be.

Q. I am looking at your report for 1937, and I find that 26,051 of your present shareholders live in the United Kingdom or other British countries, and they hold 95.9 per cent of the preference stock. If the very worst happened under unification, and there was not sufficient revenue to meet the agreed claims under unification of those preference shareholders, would we find on Canada's shoulders 26,051 additional pensioners?—A. No. You have not get them to-day.

Q. I understood you to imply that the agreement would contemplate a certain amount of definite revenue to the preference shareholders?—A. Senator, I have implied no agreement of any kind in favour of any set of shareholders.

Q. Then the preference shareholders of the C.P.R. would take pot luck with the rest of the taxpayers of Canada?—A. They would. They would take their chances whether earnings would be enough to cover their interest.

Q. They would have to agree to that?—A. Yes.

By Hon. Mr. Dandurand:

Q. They would have to agree upon a division of profits to start with before the second division of profits takes place on economies effected?—A. Certainly.

Q. I suggest that it would be quite a difficult matter to bring about a division of profits on the first operations of the railways as they were.

Hon. Mr. GORDON: They will be long negotiations.

By Hon. Mr. Dandurand:

Q. We were told two weeks ago that the average profits would be based on a ten-year period.—A. On prior earnings, I said. You asked me how many years, and I said I did not know, that that would be a matter between the Government and the company.

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By Hon. Mr. Calder:

Q. Sir Edward, you have certain bonds outstanding?—A. Yes.

Q. Upon which you have always paid interest. Suppose things go to the devil and you don't earn the interest even, you default on it; what are the rights of the bondholders?—A. They become the shareholders of the company automatically.

Q. And then those who are appointed by the C.P.R. on this new board would be their directors, or they could appoint others?—A. Yes.

By Hon. Mr. Dandurand:

Q. The present shareholders would lose their right to vote?—A. In the interval until the default is made good.

By Hon. Mr. Robinson:

Q. I think I understood you, Sir Edward, to say that unification would be only a success under private management?—A. Yes, sir.

Q. And that under public management it might fall down. Suppose we have unification, and it starts out with all the advantages of private management. With the trend of public opinion in a country like ours towards public ownership, I think before many years it would inevitably result in public ownership of the railways, because you will have to borrow money for improvements, this will go on from time to time until they are joint securities, which will mean that they are really being backed by the Dominion of Canada.

Hon. Mr. CALDER: The same way with the textile or any other industry.

By Hon. Mr. Robinson:

Q. We are developing a new set of people with a new set of ideas. Our politicians are going to develop the idea and will say, "We are running this show anyway, we are backing all the bonds. It is pretty near time we had public ownership, the same as we have with the Bank of Canada." I think that will be the inevitable result. Then, according to you, we won't have any savings.

Hon. Mr. HORSEY: May I revert for a minute to the labour question?

Right Hon. Mr. MEIGHEN: Before you do that, Senator, will you allow me to put a question?

Hon. Mr. HORSEY: All right.

By Right Hon. Mr. Meighen:

Q. What Senator Robinson has in mind has troubled me really more than any other point. That is to say, as to the degree to which the providing of additional capital investment and the possible obligations of the Government with respect thereto would bring about a situation where the public feeling that the Dominion's credit was supporting the system, a movement would grow to take it over and make it a purely government institution—something akin to the movement which has resulted at last in a Bank of Canada.

Hon. Mr. ROBINSON: Yes.

By Right Hon. Mr. Meighen:

Q. But is not this likely to be the situation? Your joint board of directors of an operating company will have no duties at all save the management of the joint system, and it is management purely from the business standpoint. They will be in exactly the same position as the board of directors of the Canadian Pacific now are with respect to their property, giving the best service because in that way you get the best results; in fact compelled to give service by the Railway Commission. But if the Government of the day, under public pressure, feels that there is some more service to be given by this system, something more than the board of directors, acting as business men, feel the system itself should

give or can give from a purely business standpoint, then it is for the Government to make such a bargain with that board as is akin to subsidizing that service and showing it in the public accounts. A joint board, with the compulsion of answering as trustees for the owners of that road, including the C.P.R. shareholders and bondholders, cannot possibly diverge from the line they are told to follow to manage this joint system.—A. Not to assume risks.

Q. Not to assume risks. In view of the fact that railway business in the general transport field has been and probably is going to be a diminishing factor, because of the more rapid growth of other means of transport, new capital investments from a purely business standpoint should be very, very few, and the money quite readily obtainable by the system itself?—A. I think so. I think that is a logical view you have taken, Senator Meighen. I think that would be the result. Whenever the Government says, "Because of national reasons, public interest, we demand a certain expansion of this system and a certain change," it must be prepared to provide money for that change without loading down the operating company with it.

Q. And thus keeping it out of the public accounts?—A. Yes.

By Hon. Mr. Robinson:

Q. Political views and public policies are changing and there is, I think, a socialistic tendency along that line. Of course, I do admit that if it comes to that stage it will be a bad thing for the C.P.R., for I think they will have to be bought out.

By Hon. Mr. Buchanan:

Q. Sir Edward, would there not be a likelihood on a change of government of a change in its representatives on the board of directors?—A. No. The agreement in the statute would provide for that. There would be no change. You would have to do this by contract, and it could not be changed once it was confirmed by statute. The Canadian Pacific charter is a good example of what I mean. It has been changed from time to time, but always by agreement. There would have to be a contract between these two companies. That contract would be confirmed by parliament and provide for an organization and how it should be perpetuated, and that should not be subject to change. If you are going to have five-year periods in this thing as you have had very often in the administration of the Canadian National,—

Q. That is what I have in mind.—A. —then of course it is a very serious detriment. As I see it, Senator, you have to get independence of administration, you have to reduce to a minimum the possibility of political interference, in order to make this thing a success. That is the only way in which I can suggest it can be reduced to that level.

I beg your pardon, Senator Horsey.

By Hon. Mr. Horsey:

Q. Just one question, referring to the labour situation. In your submission you stated that retirements, deaths, and so on, would absorb over a series of five or six years the men who would be thrown out of employment by unification. Mr. Mosher in giving his evidence last night said that under such a system there would be no chance for promotion.—A. Oh, no. I think one of the greatest fallacies, Senator, that has been introduced into this discussion is the fact that both sets of labour leaders have claimed that if this unification takes place, and these men withdraw and are not replaced, so that we operate more cheaply because we have fewer men, that that will reduce opportunity for employment in the future. You know, Senator, I cannot conceive of a more unwarranted basis for a public transportation policy than that, because if that had been true, then why were parts of the Canadian National merged to form the present system? Of course, you

[Sir Edward Beatty, G.B.E.]

cannot provide a system whereby exactly the same number of people will be employed, because it would be uneconomical.

Q. I think it was pointed out that during the five or six years it would be difficult to make an adjustment, that promotions could not be made, and you would not be taking on any new employees, and consequently you would not have men familiar with the work and you might have to import men.—A. No. For the first five years, of course, there would be such an adjustment; but once you got down to the minimum number of men required to operate the railway you would go on just as you are doing now, you would employ just as many men as vacancies occurred, but you would have fewer men in the aggregate.

By Hon. Mr. Murdock:

Q. I think that in their presentation before us yesterday labour argued that even in the small amount of pooling that had been put into effect there were 145 employees—

Hon. Mr. HAIG: One hundred and thirty-seven.

By Hon. Mr. Murdock:

Q. —137 employees who had been put out of jobs, some of whom, I understood, were on relief.—A. That is true. There were none of the provisions in the pooling arrangements or the other co-operative arrangements that are in the plan outlined here. The reason why we have taken pains to say that we would have a plan is because we would not want that to happen.

Q. I can remember my good friend Senator Meighen, who was then leading in the Senate, co-operating splendidly in putting into the Canadian National-Canadian Pacific Act that which we thought would take care of the displaced labour.

Right Hon. Mr. MEIGHEN: Was not that as to the proper division?

The WITNESS: Yes. That was filed with you yesterday.

By Hon. Mr. Murdock:

Q. And it was expected at the time that there would be some reasonable care taken to not impose undue hardships on labour. But right here in Ottawa we know what happened on the Canadian National.—A. There was nothing mandatory in the statute about that as far as I know.

By Hon. Mr. Copp:

Q. It could have been done by agreement then?—A. Oh, yes.

Right Hon. Mr. MEIGHEN: What was to be done by agreement, and after consultation with Labour, was the apportionment of the remaining positions between the employees of the two systems. In the Act there was no provision for taking care of the aggregate reduction.

Hon. Mr. COPP: There was no compulsion, but they could have made an agreement.

Right Hon. Mr. MEIGHEN: The same as they could, I presume in the case of contractions resulting from the depression.

The CHAIRMAN (Hon. Mr. Beaubien): Are there any more questions to Sir Edward?

Hon. Mr. DANDURAND: I asked Sir Edward if he could be here to-morrow, and as he cannot I would like with the authorization of the committee to put him a question. We have been discussing the future savings of the policy to be adopted concerning the two railways, but we have before the Railway Committee to-morrow the Transport Bill, which suggests that the railways be allowed to make agreed charges. I thought that as Sir Edward will not be here to-

morrow we could have his opinion as to the importance he attaches to that question.

Right Hon. Mr. MEIGHEN: Of course I would like to hear him to-morrow.

The WITNESS: I have to be in Montreal to-morrow.

By Right Hon. Mr. Meighen:

Q. Would you have agreed charges if you had unification?—A. Here is the story about agreed charges. It is an inspiration which comes from Great Britain, as you know. It is an attempt by the Government to provide some protection for rail traffic against the unregulated traffic, on the highway in particular. I was a little suspicious of its effectiveness when it was first discussed, because I felt that it might be another means of competition between the two railways, and the Lord knows we have enough of that. But we agreed to act in respect of agreed charges through the Canadian Freight Association, which acts generally for the two railways. So the element of added competitive practices disappeared.

The reason I favour agreed charges—though they are still an experiment as far as this country is concerned—is that I believe they will enable the railways to have greater freedom in connection with unregulated truck competition. I understand that under this Transport Bill the water carriers are, in a measure, to be controlled and regulated between Montreal and Fort William—not as to bulk freight and certain other exceptions, but generally speaking; and I believe it will be a help to the railways to have it. I imagine it is the kind of thing they would ask for whether there is unified management or not, because there is nothing in unified management, except the strength of the railways, that affects our ability or the lack of it to compete with the highway.

By Hon. Mr. Calder:

Q. There would not be any necessity for it if the Federal Government had power to regulate?—A. If they were all under one transport control, I think we could take our chances and would know what we were competing with. We do not know to-day.

By Hon. Mr. Sinclair:

Q. They are under one control in Great Britain?—A. There are two or three tribunals. Whether they have the same functions as here, I do not know.

Hon. Mr. BLACK: They have there a central government which controls traffic over all the roads. We have not that in Canada.

By Hon. Mr. Calder:

Q. This is the only way you can see of getting any control over the trucks?—A. It is only giving the railways the right to meet the competition of the trucks.

Q. If the provinces had uniform regulations and tariffs?—A. I would not be so anxious about it, because I think then we would get the control we need.

By Right Hon. Mr. Meighen:

Q. There is no system of agreed charges in the United States?—A. None.

By Hon. Mr. Hugessen:

Q. The Interstate Commerce Commission controls the truck traffic between the states?—A. Yes. They have a Motor Bill in the United States, for control and regulation, that is very comprehensive.

The CHAIRMAN (Hon. Mr. Beaubien): Is there anything further? Thank you, Sir Edward.

Mr. BIGGAR: Now, Mr. Chairman, I have no further witnesses that I think the committee need hear. One could go far afield on fishing excursions to find out what a lot of people who have studied the railway situation think about it, but so far we have confined ourselves to people directly concerned in the administration or operation of the railways. Once we go beyond that we are into a field which is probably too large to cover.

Hon. Mr. DANDURAND: Have you examined the correspondence of people who have written to the committee offering advice, or who have offered it orally?

Mr. BIGGAR: Yes. I have a large number of communications. Some of them came to me, some of them came to the leader of the Government, some to the Chairman of the committee, and some to the Secretary. I have gone over them and can indicate their character.

Hon. Mr. DANDURAND: Is there anything constructive in their proposals?

Mr. BIGGAR: There are some suggestions with regard to particular lines and the elimination of duplicate services, but there is nothing of a kind different from what has been dealt with by the railway witnesses. There are a large number of resolutions, some of them directed to persuading the committee that the financial situation is such as to necessitate some important change in policy. A great many others are from mass meetings in towns, and meetings of Labour organizations, saying that no step towards amalgamation or unification or co-operation ought to be taken. Those are along the lines of the evidence the committee has heard.

Hon. Mr. DANDURAND: And you have some from people residing along lines that have been mentioned as capable of abandonment?

Mr. BIGGAR: There are a number of protests against the abandonment of lines and the reduction of services. The resolutions are from mass meetings held in towns on lines which would be affected by abandonment. That is generally the character of the whole lot, of which there are probably 50 or 60.

The CHAIRMAN (Right Hon. Mr. Graham): Have we not really touched all those points?

Mr. BIGGAR: I have been over all the communications, and I think all the points that are raised in them have been the subject of discussion.

Hon. Mr. BLACK: I think most of the members of the committee have received those communications.

Hon. Mr. ROBINSON: How would it do to just list them in the record?

Mr. BIGGAR: It would be quite easy to put in a list of the communications that have been received. I have made an abstract of them, so I could run over the character of them. I have indicated their character in general terms.

The CHAIRMAN (Hon. Mr. Beaubien): How long would it take you to read the list and say in two words what is contained in the communications?

Mr. BIGGAR: A quarter of an hour.

The CHAIRMAN (Hon. Mr. Beaubien): In that way it would go into the minutes.

Hon. Mr. McRAE: Mr. Chairman, so far in this inquiry we have heard from the two railways and from labour, but we have not heard from two other sections of our citizens who are very much interested, I am sure. One has been referred to frequently as "the forgotten taxpayer." The other is the user of our railroads, including manufacturers and shippers. If there has been no request from either of them I am disappointed, for I would have expected that some of the associations representing business interests would have asked to appear.

The CHAIRMAN (Hon. Mr. Beaubien): Perhaps they are on the list.

Mr. BIGGAR: I think the only communication that comes within the description Senator McRae has given is one which comes from an organization, the

name of which I have forgotten, which is said to include the traffic officers of a large number of industrial concerns. There are no communications that I have seen from Boards of Trade, Chambers of Commerce of the Canadian Manufacturers' Association or anything of that kind.

Hon. Mr. CALDER: Or from farmers' organizations?

Mr. BIGGAR: There is one, I think.

The CHAIRMAN (Right Hon. Mr. Graham): I had it in my head that certain Chambers of Commerce had written.

Right Hon. Mr. MEIGHEN: They have petitioned the Government, have they not? I know they have done so before, and I presume they would do so now, demanding a solution of the problem, which is the usual demand.

Mr. BIGGAR: May I first refer, perhaps more elaborately than to the others, to a communication from Mr. Allan McAvity, the member of parliament, who handed me a communication, and who attended the committee in the hope that he would have an opportunity to be heard.

Hon. Mr. DANDURAND: Before you read the letter from a member of the other House, I should like to know if we are to open our investigation to the members of that House and to give them an opportunity of coming here to express their views on the railway problem. If we do that, we may have quite a number of members of the other House coming here and wanting to speak in favour of branch lines that are threatened. We should have an interminable inquiry.

Mr. BIGGAR: I might say that Mr. McAvity's statement simply relates to the direct service of the Canadian National into West Saint John by means of the Valley Railway to Fredericton. And in support of his contention in that respect he refers particularly to paragraphs 281 and 283 of Sir Alexander Gibb's report with regard to the harbours, and suggests that export waybills on the Canadian National should be optional between Halifax and Saint John.

Now, I will run very quickly through the communications. If the Committee wants to hear anything more about any of them, I have them here.

Hon. Mr. SINCLAIR: Could you not list them without reading them?

Mr. BIGGAR: I can tell you the general character of them, and if you want any more information about them I can give it.

The CHAIRMAN (Right Hon. Mr. Graham): I think it is fair to the writers to refer to the various communications.

Mr. BIGGAR:

Mr. H. R. Hosfield, Secretary Treasurer, C.N.R. System Federation, No. 11, Western Region, writes from Transcona under date of May 14th on behalf of the Federation that the Executive Board think unification would be detrimental to Canada as a whole, and repudiate the insinuation that the C.N.R. is a liability. He states that the railway has done much towards developing the country and has never failed to pay its operating expenses. He also contends that the abandonment of lines, besides causing unemployment, would be a great hardship to pioneers, and that unification, by cutting off purchases which in the case of the C.N.R. are said to amount to 62½ millions annually would cause unemployment.

Mr. H. P. Coombes, of Vernon, B.C., writes on behalf of the Vernon Board of Trade, under date of June 13th, 1938, protesting against the proposal to abandon the C.N.R. line from Armstrong to Campbell Creek, 56 miles, on the ground that it is the only railway line serving an area, it is operated at a substantial profit, and that there are 10 sawmills, a gypsum mine, and a box factory employing 70 men, served by it, as well as stockmen, lumbermen, etc., who ship 600 cars a year.

The Winnipeg and District Trades and Labour Council, under date of June 14th, 1938, submit a resolution protesting against any proposal to discontinue the C.N.R. transcontinental trains Nos. 1 and 2 between Nakina and Winnipeg, as well as against the making of all the other economies proposed before the Senate Committee, on the ground that this constitutes wholesale sabotage of the publicly-owned railway lines for the benefit of foreigners interested in investments.

Mr. H. A. Nieks, of Sioux Lookout, Ontario, write under date of May 31, protesting against any proposal to abandon the line between Beaverton and Long Lac and Nakina and Transcona, on the ground that these open up new country and serve the people, who would be reduced to misery if the lines were closed. He points out particularly that the Nakina-Transcona line was built "by that great statesman Sir Wilfrid Laurier, and must not be destroyed."

Messrs. James McKenzie and P. H. Maloney, writing as chairman and secretary of a mass meeting of the citizens of Armstrong, Ontario, held on June 2, write under date of June 8, protesting against the abandonment of any Canadian National tracks. They submit that unification is a proposal of a gigantic railway corporation, namely the C.P.R., to offer the homes and livelihood of industrial workers as a sacrifice to the vested interests of absentee C.P.R. shareholders. They refer to the number of people and importance of the industries served by the line between Transcona and Long Lac, of which particulars are given, and deny that the normal labour railway turnover would take care of employees displaced.

Mr. Hugh L. MacKinnon, of Winnipeg, submits under date of April 30, certain considerations against unification, including the grants to the C.P.R. and certain other benefits received by that company, these expenditures being, like those on the Canadian National and on canals and harbours, justified as being essential for the opening up of the country. He comments on the financial position, refers to the conclusions reached by the Duff Commission and the size of the organizations involved, concluding with a recommendation in favour of cooperation.

Mr. Watson Griffin, 196 Jameson Avenue, Toronto, under date of June 4, 1938, submits a plan for amalgamation of the C.N. and C.P. Railways in a new company into which Canadian Pacific stock-shareholders should be allotted shares and the Government shares vested in a council composed of the general managers of the chartered banks as trustees. His view is that if we are to have ultimate amalgamation we should have it now.

Mr. James D. McKenna, President of the Saint John Board of Trade, Saint John, N.B., under date of June 2, 1938, submits on behalf of the Saint John Board of Trade a memorandum as to the routing of Canadian National freight said to be carried to Halifax instead of to Saint John. In support of the proposal there are cited the views of Sir Alexander Gibb in his report on Canadian ports, made in 1932.

Mr. Louis G. Scott, 2515 West 4th Avenue, Vancouver, submits under date of May 30, 1938, a protest against the inclusion in any unified railway system of the Quebec and Lake St. John Railway, and the Great Northern Railway of Canada, of which latter he is the former secretary. He supports this by contentions relating to the rights of the shareholders in the companies from whom rights with respect to these railways were acquired by the Canadian Northern Railway and subsequently by the Canadian National Railway.

Mr. R. L. Elliott, 46 William Street South, Lindsay, Ont., makes an undated submission with respect to the elimination of duplicating mileage,

making specific proposals with respect to 907 miles and dealing with crossings between Toronto and Detroit.

The Canadian Brotherhood of Railway Employees submits a resolution, dated May 9, 1938, from Allied Division No. 34, favouring the continuance of the separate operation of the C.N. and C.P. Railways, and condemning the action of the post office in extending the parcel post weight from 15 to 25 pounds.

Mr. J. S. Gillies, Braeside, Ont., submits under date of May 23, 1938, certain figures indicating that the railway freight rates on lumber in less than cargo lots to named points have increased since 1890 by 250 to 300 per cent, and that to the same named points the carload rates have increased from 320 to 420 per cent, notwithstanding that the price of lumber is substantially no greater now than in 1908. He states that in the significant territory (Braeside, Ont.), the rates on his company's lumber average about 1.8 cents per ton mile against about .6 cents per ton mile on lumber from the Pacific coast. He contends that the basis of freight rates is illogical, and that rates should be on a mileage basis.

Mr. L. Cummings, the Lumsden Building, Adelaide and Yonge streets, Toronto, writes under date of May 18, 1938, indicating an intimate acquaintance from outside with certain local transportation problems, and expressing the opinion that "when you live in intimate contact with the railways and their operating staff over a period of years it is extremely difficult to be patient or considerate in regard to them and their problem. They will each argue and debate until the country is sick and tired of the sound of their voices and the repetition of the old time-worn phrases. But each of them is so hide-bound by tradition, past performance, the wonders of their earlier days, the lack, of economic foundation for their competitors, and so on far into the night, that it seems absolutely futile to waste much time listening any more to them." He thinks that if the railway problem were approached by men with fresh minds many of the difficulties would disappear, and suggests that "the piling up of what is to the ordinary citizen a staggering load of debt. . . at the rate of \$1,000,000 a week" results in "the moral breakdown of the populace" consequent upon "the feeling that if the Government can ignore its losses so flippantly" individuals incline to look upon their "financial responsibilities" without "the old degree of seriousness which we were taught was their due."

Mr. Arthur Bourgeois, Chaudière Station (Lévis) Quebec, has written several letters on the subject of unification of railway lines and suggesting that he "can without assistance conduct an efficient investigation in any and all departments in the railways."

Mr. W. T. Burford, 126 Sparks street, Ottawa, Ontario, Secretary-Treasurer of the Canadian Federation of Labour, writes under date of May 30, 1938, covering a memorandum addressed to the Committee, which has been printed, and of which a copy is understood to have been sent to each member of the Committee.

Mr. H. C. Beatty, Secretary of the Montreal Lumber Association, writes under date of May 20, 1938, submitting a memorandum indicating that whereas the average remuneration of 124,012 railway employees in Canada as of June 30, 1907, was \$417, the average remuneration of 132,781 employees on December 31, 1936, had risen to \$1,387.

Mr. Frank O'Reilly, 4104 Dorchester street, Westmount, submits under date of May 20, 1938, a memorandum for the solution of the railway problem by granting exclusive transportation control to the railways, which should abandon the word "railway" in their respective titles and substitute the word "transportation."

The Canadian Industrial Traffic League submits a resolution under date of February 7 indicating alarm at the mounting deficit. The League is said to include in its membership traffic officials of the leading commercial and industrial enterprises in Canada and urges the Government to deal with the railway situation by the appointment of a non-partisan body to consider specified economies.

The United Farmers of Canada, Saskatchewan Section, submit a telegram under date of April 28 indicating their unalterable opposition to the unification on such inequitable terms as are set out in recent press statements on the ground that the activities of those who favour unification are designed for the benefit of the C.P.R. and not the taxpayers, and deprecating any curtailment of services which would constitute a hardship to Western agriculturists. They suggest an appraisal of the assets of the C.P.R. in line with present day use and productive values in readiness for its inclusion in a national system.

Canadian Brotherhood of Railway Employees, Turcot Division No. 179, submits a resolution indicating an opinion that the unification proposals are a malicious, distorted and unfair attack on the Canadian National and affirming support of the policy of maintaining the integrity of the C.N.R.

Canadian Brotherhood of Railway Employees, Pte. St. Charles Division, No. 201, submit by its secretary under date of May 1 an objection to unification on the ground that it must reduce the number of employees.

The Hanley Board of Trade under date of May 30 submit a unanimous resolution that unification is not in the best interests of the country.

Mr. E. L. Rose, Secretary of a mass meeting held at Biggar, Sask., on April 3, submits a resolution adopted by the meeting to the effect that there has been insidious and vicious propaganda to discredit the Canadian National, that a monopoly of any kind is to be objected to and that the Canadian National be kept as a separate organization.

Mr. D. R. Miller, on behalf of a mass meeting of the citizens of Redditt, Ontario, communicates by telegram under date of June 16 a resolution adopted by the meeting against unification of any kind or the abandonment of any C.N.R. lines, particularly that between Nakina and Transcona, along which there is considerable industrial and recreational activity.

Mr. Chas. Masse, Représentant Juridique of the Brotherhood of Locomotive Firemen and Enginemen, Waverly Lodge No. 747, submits a resolution of the Lodge under date of June 18 to the effect that the interests of all concerned can be best protected by keeping the C.P.R. and C.N.R. separate.

The Brotherhood of Railway Carmen of America, Northern Star Lodge, No. 371, writes under date of June 2 saying that as members of a class of workers who would be greatly affected by them, the local regards Sir Edward Beatty's proposals as a fraud he is trying to foist upon the public. Objection is particularly made to the suggested abandonment of the C.N.R. line between Beaverton and Long Lac, and Nakina and Transcona.

The Standard Railway Unions' Local Conference Committee, Vancouver, submits under date of May 3 a resolution passed at a meeting of the delegates of the various locals in Vancouver objecting to amalgamation, co-ordination or unification on the ground that any saving would come out of curtailed service, labour costs and materials, adversely affecting labour, townspeople and farmers.

Hon. Mr. DANDURAND: Mr. Chairman, I understand that a memorandum concerning the operations of the British railways is to be furnished to the Committee. I received from the Canadian National a statement concerning the working of the four groups over there, but I did not produce it. If the Canadian National was given a copy of the other statement, it would perhaps eliminate the necessity of their giving information of the same kind to us.

Mr. BIGGAR: Yes. What you suggest would be that the memorandum from the Secretary of the Canadian Pacific and any additional memorandum which the Canadian National may think it necessary to submit on the same subject should be made parts of these Proceedings for to-day, if possible; if not, they can be added to the first subsequent day's Proceedings.

Hon. Mr. DANDURAND: The memorandum from the C.P.R. would not appear in the Proceedings to-day; you have not got it.

Mr. BIGGAR: No, it may be too late.

Hon. Mr. DANDURAND: Mr. Rand will communicate with you.

Hon. Mr. HAIG: Why not produce Mr. Rand's statement.

Mr. BIGGAR: They will have to go together.

Hon. Mr. HAIG: I would not hand to Mr. Rand what the C.P.R. have to say. Let him bring in his own statement.

Hon. Mr. DANDURAND: Yes.

Hon. Mr. HAIG: Otherwise we shall have one criticizing the other.

Hon. Mr. DANDURAND: Yes. They will bring in separate statements.

The CHAIRMAN (Right Hon. Mr. Graham): Gentlemen, my fellow chairman and myself have a really constructive suggestion to offer. I have not heard it mentioned by any member of this committee nor by any railway men. We suggest that all passes now held by members of Parliament and by the railway men as well be handed in to their companies!

Hon. Mr. HAIG: You don't include senators in that suggestion.

The CHAIRMAN (Right Hon. Mr. Graham): Oh, yes, members of Parliament.

Hon. Mr. BLACK: I proposed that some time ago.

Hon. Mr. MURDOCK: I have a Bill prepared along that line. Would you second it?

The CHAIRMAN (Right Hon. Mr. Graham): It might be too big a Bill.

Hon. Mr. MURDOCK: It is very brief.

Hon. Mr. HAIG: I beg to offer a supplementary suggestion, that senators who live far away from Ottawa should pool their travelling expenses with their more fortunate colleagues who live within easy reach of the capital.

Hon. Mr. HUGESSEN: I am against that.

The CHAIRMAN (Hon. Mr. Beaubien): To come back to serious matters. We have had three papers on the working of the British railways, but we have had nobody before us that understands the situation there. Do you think it would be advisable for us to hear the Secretary of the C.P.R. on the point? I find myself at a disadvantage. For instance, what Mr. Waters said in his pamphlet is very interesting, but that is one side of the question, and he is not here to be cross-examined.

Hon. Mr. DANDURAND: I would suggest that we get the proposed statement from the Secretary of the C.P.R. and from the Secretary of the Canadian National. Then after we have read them if we need further information we can decide what we are to do.

Hon. Mr. BLACK: We shall have that before us at the next session.

Hon. Mr. HUGESSEN: I am particularly anxious that those statements should refer in detail to the pooling arrangements which have been concluded between the different railway companies in Great Britain in the last few years.

The CHAIRMAN (Hon. Mr. Beaubien): Yes.

Gentlemen, when do you want to sit again?

Hon. Mr. DANDURAND: At the call of the Chair.

The committee adjourned, to resume at the call of the Chair.

EXHIBIT No. 96

CANADIAN NATIONAL RAILWAYS

Question asked by Senator Haig—

How many employees are there on the Canadian National Railways (Canadian Lines) age 60 to 65?

Answer—

The number of employees in service June 17, 1938, who have reached, or will reach age 60 during 1938, is given below:—

1868..	4
1869..	1
1870..	1
1871..	0
1872..	5
1873..	414
1874..	873
1875..	920
1876..	1,116
1877..	1,164
1878..	1,345
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	5,843
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EXHIBIT No. 97
CANADIAN PACIFIC RAILWAY COMPANY—EMPLOYMENT ATTRITION, YEAR 1937

	General and Mis- cellaneous	Main- tenance of Way and Struc- ture	Main- tenance of Equip- ment	Trans- portation	S. D. and P. C. and News	Com- muni- cations	Hotels	Other Outside Opera- tions	All Classes, 1936 (1)
	%	%	%	%	%	%	%	%	%
Ratio of separations to the average number employed during the year:—									
Resignations.....	2.5	1.2	0.8	0.7	5.9	9.6	8.6	6.9	2.3
Records closed.....	0.1	2.7	1.0	0.4	0.1	0.2	0.6	5.5	1.1
Total voluntary withdrawals.....	2.6	3.9	1.8	1.1	6.0	9.8	9.2	12.4	3.4
Pensioned.....	0.8	0.7	1.1	1.4	0.5	0.4	0.1	0.6	1.0
Retired without pension.....	0.4	0.6	1.6	0.4	0.8	0.1	0.3	0.4	0.7
Total retirements.....	1.2	1.3	2.7	1.8	1.3	0.5	0.4	1.0	1.7
Deceased.....	0.6	0.9	0.8	0.9	1.4	0.3	0.4	0.5	0.8
Dismissed for cause.....	0.2	0.3	0.2	0.4	1.3	0.1	0.5	1.2	0.3
Total separations.....	4.6	6.4	3.5	4.2	10.0	10.7	10.5	15.1	6.2
Ratio of separations to the greatest number employed during the year as indicated by the highest monthly count in each class and district:—									
Total separations.....	4.3	4.7	4.6	3.5	7.6	10.0	6.9	11.7	5.0
									3.8

NOTE.—The employment attrition statistics include only those employees who are entered on the Company's staff records, and exclude transient labour.

(1) Excludes Dominion Atlantic Railway and Quebec Central Railway.

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Special Committee 1938

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THE SENATE OF CANADA

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PROCEEDINGS

OF THE

SPECIAL COMMITTEE

Appointed to

ENQUIRE INTO AND REPORT UPON THE BEST MEANS OF RELIEVING THE
COUNTRY FROM ITS EXTREMELY SERIOUS RAILWAY CONDITION
AND FINANCIAL BURDEN CONSEQUENT THERETO



No. 24

The Right Honourable George P. Graham, P.C., and
the Honourable C. P. Beaubien, K.C.,
Joint Chairmen

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ORDER OF APPOINTMENT

(Extracts from the Minutes of Proceedings of the Senate for March 30, 1938)

Resolved,—That a Committee of the Senate be appointed to enquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, with power to send for persons, papers and records, and that the said Committee consist of twenty Senators.

Ordered that the said Special Committee be composed of the Honourable Senators Beaubien, Black, Buchanan, Calder, Cantley, Côté, Dandurand, Graham, Haig, Hugessen, Horsey, Jones, Hardy, McRae, Meighen, Murdock, Parent, Robinson, Sharpe and Sinclair.

INTERIM REPORT

The Right Honourable Senator Graham, from the Special Committee appointed to inquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, presented the following Report.

The same was then read by the Clerk, as follows:—

Thursday, 30th June, 1938.

The Special Committee of the Senate which was appointed to "inquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto," begs leave to report as follows:—

1. The Committee has held 43 sessions, has examined 31 of the principal officers of the two railway systems, and has had lodged with it no less than 97 exhibits, many of them voluminous in content and technical in character and detail. The Committee has also heard evidence in extensive detail from representatives of the Dominion Joint Legislative Committee of the Railway Transportation Brotherhoods, with which was associated the Trades and Labour Congress of Canada, also from the Canadian Brotherhood of Railway Employees. The recorded proceedings of the Committee cover 1284 printed pages.

2. The evidence before the Committee was not completed until very shortly before Prorogation and consequently the Committee has been unable, through lack of time, to analyse the vast mass of material before it in such manner as to enable it to present a report either satisfactory to itself or valuable to the public. The proceedings before the Committee and the publicity given thereto must have contributed greatly to the information of all interested and should be of inestimable value in the further consideration of the problem by the government and people of this country.

3. Having regard to the desirability of completing the inquiry, and to the preservation of the value of the examination already made, and the preparation of an adequate report thereon, the Committee recommends that it be reappointed early in the next session of Parliament. The intention is that a thorough review shall be made of all evidence and other material already at the disposal of the Committee, and a report thereon presented to Parliament.

4. The Committee may deem it advisable, when later convened, to obtain further data bearing upon the general problem and its possible solution.

5. In the meantime, the Committee would request the two railway companies to renew and speed up their efforts to effect by co-operation reductions of operating expenditures by every means at their command, and within the authority of the present law.

6. In conclusion, the Committee desires to express its appreciation of the services of Colonel O. M. Biggar, K.C., the Committee's Counsel, whose assistance in facilitating the work of the Committee was invaluable. The services of joint secretaries and reporters have also been of the highest character.

GEO. P. GRAHAM,

C. P. BEAUBIEN,

Joint Chairmen.

With leave of the Senate,

The said Report was adopted.

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1939

THE SENATE OF CANADA



PROCEEDINGS

OF THE

SPECIAL COMMITTEE

Appointed to

**ENQUIRE INTO AND REPORT UPON THE BEST MEANS OF RELIEVING THE
COUNTRY FROM ITS EXTREMELY SERIOUS RAILWAY CONDITION
AND FINANCIAL BURDEN CONSEQUENT THERETO**

No. 1

The Right Honourable George P. Graham, P.C., and
the Honourable C. P. Beaubien, K.C.,
Joint Chairmen

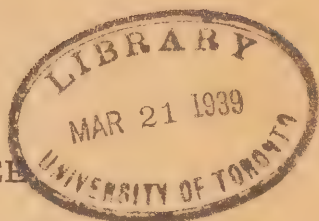
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Mr. D. J. Sutherland, Chief of Labour Intelligence Branch,
Department of Labour, Ottawa

OTTAWA
J. O. PATENAUDE, I.S.O.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1939



ORDER OF APPOINTMENT

(Extracts from the Minutes of Proceedings of the Senate for March 7, 1939)

Resolved,—That, with a view of completing the inquiry pursued during last session by the Special Railway Committee of this House, and preparing and submitting an adequate report on such inquiry, this Special Committee be re-appointed with a view to inquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, with power to send for persons, papers and records and that the said Committee be re-appointed with the same personnel and, therefore, that it consist of the Honourable Senators Beaubien, Black, Buchanan, Calder, Cantley, Côté, Dandurand, Graham, Haig, Hugessen, Horsey, Jones, Hardy, McRae, Meighen, Murdock, Parent, Robinson, Sharpe and Sinclair.

MINUTES OF EVIDENCE

THE SENATE

WEDNESDAY, March 15, 1939.

The Special Committee re-appointed to inquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, met this day at 11 a.m.

Right Hon. Mr. Graham and Hon. Mr. Beaubien, Joint Chairmen.
Colonel O. M. Biggar, K.C., Counsel to the Committee.

Hon. Mr. DANDURAND: We have called this meeting in order to find out who are the representatives of labour—as I understand, men interested in the railway problem and in contact with the railway organizations. We suggested that the Labour Department furnish us with the data, and Mr. Biggar is asked to give us a statement that he has obtained from the Department.

Right Hon. Mr. MEIGHEN: I did not understand that at all. I understood we were to get some idea of the dimensions of the Canadian Federation of Labour. I stated I would let them be heard in any event. But if they are of considerable dimensions, are we to say: because they have certain views we will not hear them; because those views are expressed by certain men we do not like we will not hear them? If they are of substantial dimensions I want to hear them.

Hon. Mr. MURDOCK: Hear, hear.

Right Hon. Mr. MEIGHEN: I do not care whether they are railway-labour men or not. We have heard boards of trade who are not in railway organizations at all. Then why should we not hear railway organizations?

Hon. Mr. DANDURAND: I understood the gentleman who desired to be heard was connected with some railway organization.

Right Hon. Mr. MEIGHEN: No, I did not understand that.

Hon. Mr. DANDURAND: Have you got his letter?

The CHAIRMAN (Hon. Mr. Beaubien): It was a verbal application brought up, I think, by Senator Black.

Hon. Mr. BLACK: No, I never heard of the man before. I don't know even his name.

Hon. Mr. MURDOCK: I understood Mr. Burford saw Senator Beaubien.

The CHAIRMAN (Hon. Mr. Beaubien): No. Have you the letter, Mr. Hinds?

Mr. HINDS (Clerk of the Committee): I am sorry; I did not receive it.

The CHAIRMAN (Hon. Mr. Beaubien): The letter said he wanted the Association to be heard. Mr. Meikle, I suppose, will speak for the Association.

Hon. Mr. HAIG: His name is W. T. Burford.

Hon. Mr. DANDURAND: Then he is the gentleman who wants to be heard.

The CHAIRMAN (Hon. Mr. Beaubien): No. I think he wanted Mr. Meikle, President of the Association, to be heard. He did not want to speak himself.

Hon. Mr. HAIG: He is the Secretary of the Canadian Federation of Labour.

Hon. Mr. MURDOCK: Yes. Here is the official record from the Department of Labour files.

The CHAIRMAN (Hon. Mr. Beaubien): Yes, I have it here. It does not say very much.

Hon. Mr. DANDURAND: What are you citing?

The CHAIRMAN (Hon. Mr. Beaubien): The annual report for 1938. It says: There are two associations of minor importance. There is the big federation of labour on the one side, called the Labour Congress of Canada, and the All-Canadian Congress of Labour, and there are two other large associations, although not as numerous, called the Canadian Federation of Labour and the Federation of Catholic Workers of Canada. Mr. Meikle represents the Canadian Federation of Labour, and he wants to be heard.

Hon. Mr. DANDURAND: Is there any data as to that?

The CHAIRMAN (Hon. Mr. Beaubien): I find on page 27 the following:—

The Canadian Federation of Labour reported a total affiliated membership of 52,622. Of the 72 local unions reported to be in affiliation with the Federation, all of which were circularized by the department, only 39 made returns, showing a combined membership of 8,704. As mentioned on page 8, it is not possible to give audited figures of paid-up membership for the Canadian Federation of Labour.

I suppose it is like the Catholic Federation, it is not very large.

Hon. Mr. MURDOCK: Pardon me. Why did you not read the language immediately following the 8704?

The CHAIRMAN (Hon. Mr. Beaubien): What do you mean? I am just giving you what Mr. Hinds has placed before me and outlined. Do you suggest anything else on my part?

Hon. Mr. MURDOCK: Well, immediately following—

The CHAIRMAN (Hon. Mr. Beaubien): Read it if you will, but do not make any reflections.

Hon. Mr. MURDOCK: I think we should read that if you want the facts.

The CHAIRMAN (Hon. Mr. Beaubien): Yes; but I dislike a reflection on what I have read.

Hon. Mr. MURDOCK: I asked you, would you read the rest.

The CHAIRMAN (Hon. Mr. Beaubien): That is a different thing.

Hon. Mr. DANDURAND: Perhaps the chairman will read what is wanted.

The CHAIRMAN (Hon. Mr. Beaubien): No.

Mr. BIGGAR: Mr. Chairman, if I may intervene? The figures to which I have referred are a year later than the printed report.

Hon. Mr. BLACK: Mr. Chairman, it seems to me the question is whether or not we shall hear these people. I know neither the men nor the organization, but they represent somebody, as is evidenced by the report read by Colonel Biggar.

Hon. Mr. DANDURAND: That is what we are here for, to know whom they represent. What is that further statement?

Hon. Mr. HORSEY: Could we not hear the Deputy who has the latest information?

The CHAIRMAN (Hon. Mr. Beaubien): Perhaps it would be the best way. If, gentlemen, you are of that opinion we will hear the representative of the Department.

Some Hon. MEMBERS: Yes.

Hon. Mr. ROBINSON: Before you call the representative of the Department, I should like to know if the report read by Mr. Biggar is to go on the record.

Hon. Mr. PARENT: That is what I want to know. Let us start from the beginning. It can be inserted in the record by the reporter.

The CHAIRMAN (Hon. Mr. Beaubien): Do you want that put in the record?

Hon. Mr. ROBINSON: Yes.

The CHAIRMAN (Hon. Mr. Beaubien): Very well.

Right Hon. Mr. MEIGHEN: Let it be part of the record.

Mr. BIGGAR: It will be an exhibit.

Hon. Mr. PARENT: No; let us have it printed in the record.

Mr. BIGGAR: Very good.

This is the memorandum read by Mr. Biggar:—

RAILWAY ORGANIZATIONS IN CANADA

Organization	No. of Locals	Membership
Running Trades (Independent):—(Big 4)—		
Brotherhood of Locomotive Engineers.. . . .	96	5,000
Brotherhood of Locomotive Firemen and Engine- men.. . . .	96	5,350
Brotherhood of Railroad Trainmen.. . . .	92	11,229
Order of Railway Conductors.. . . .	67	2,344
Affiliates of the Trades and Labour Congress of Canada:—		
Division No. 4, Railway Employees Department, A.F. of L.. . . .	9	25,000
	organizations	

Organizations included:—

	Locals	Membership
Blacksmiths.. . . .	18	900
Boilermakers.. . . .	38	2,085
Electrical Workers.. . . .	49	2,606
Firemen and Oilers.. . . .	36	734
Machinists.. . . .	78	6,637
Moulders.. . . .	24	1,895
Plumbers.. . . .	38	2,400
Railway Carmen.. . . .	112	11,825
Sheet Metal Workers.. . . .	14	753

Of the membership shown for each of the above nine organizations only those employed by railway companies are included in the 25,000 reported by Div. No. 4.

Brotherhood of Maintenance-of-Way Employees.. . .	198	13,500
Brotherhood of Railroad Signalmen.. . . .	10	240
Brotherhood of Railroad Telegraphers.. . . .	13	5,000
Brotherhood of Railway and Steamship Clerks.. . .	90	6,219
Switchmen's Union of North America.. . . .	6	42
Affiliates of the American Federation of Labour:—		
Order of Sleeping Car Conductors.. . . .	1	21
Brotherhood of Sleeping Car Porters.. . . .	2	68
Independent (International):—		
American Train Dispatchers' Association.. . . .	....	5
Affiliate of the All-Canadian Congress of Labour:—		
Canadian Brotherhood of Railway Employees.. . .	165	14,000
Affiliate of the Canadian Federation of Labour:—		
One Big Union (Transcona Shops C.N.R. and Weston Shops C.P.R.).. . . .	2	No report
Independent (Canadian):—		
Canadian Association of Railwaymen.. . . .	78	3,354
Brotherhood of Express Employees.. . . .	28	1,666
Independent (Local Unit):—		
Federation of Canadian Transportation Em- ployees.. . . .	1	7

The CHAIRMAN (Hon. Mr. Beaubien): Do you want to hear the representative of the Labour Department now?

Hon. Mr. CALDER: We do not understand anything yet. Let us get somewhere.

Mr. BIGGAR: Will the committee hear Mr. Sutherland, then? He is concerned with the Labour Department.

The CHAIRMAN (Hon. Mr. Beaubien): Yes.

Hon. Mr. PARENT: He is to supplement what is lacking in the report.

Mr. D. J. SUTHERLAND was called as a witness and took the stand.

By Mr. Biggar:

Q. Your position in the Labour Department?—A. Chief of the Labour Intelligence Branch.

Q. Among your duties is the collection of information with regard to the Labour Unions in Canada?—A. That is correct.

Q. And that document which has been referred to and put in is one that you prepared for the information of the committee?—A. Yes, sir.

Q. And it is based upon the most recent figures that you have collected in connection with your railway unions?—A. Yes, sir.

Q. Will you explain to the committee as far as the departmental information is concerned what is the relation between the Canadian Federation of Labour and the One Big Union referred to in the memorandum?—A. The One Big Union is an affiliate of the Canadian Federation of Labour.

Q. Has the Canadian Federation of Labour other affiliates?—A. Yes.

Q. Have you got any reports that indicate how many railway employees are affiliated, directly or indirectly, with the Canadian Federation of Labour?—A. Only the two reported locals of the One Big Union.

Q. But not the number of members of this union?—A. They do not give their membership.

Q. What about figures with regard to the other organizations affiliated to that Canadian Federation of Labour?—A. Unfortunately they have not replied this year so far.

Q. So that you have no figures later than the ones that are printed in your departmental report of January 1, 1938?—A. That is correct.

Q. And in that report you have certain figures with regard to that organization?—A. Yes, sir.

Q. Now, will you tell us what those figures are, and we will not bother putting in that big book.—A. May I make an explanation as to the procedure?

Q. Yes, do.—A. In starting out to collect the information for this book, we circularize all the central organizations.

By Hon. Mr. Parent:

Q. What do you mean by "this book?" What is the title?—A. "Labour Organization in Canada."

By Mr. Biggar:

Q. That particular one that has been referred to is what?—A. It covers the calendar year for 1937.

Q. It is dated January, 1938?—A. That is when the book came out. We circularize all the central organizations, asking them for their local unions in Canada, if they are international; and if they are Canadian organizations we ask them to supply all the locals that are in Canada so that we may know how many locals they have got. As soon as this is received we circularize all the local unions individually for their membership. The central organization gives us the combined membership of what they have in Canada; then we

[Mr. D. J. Sutherland.]

try to get proof from the local unions themselves. The central organizations report so many figures, and then we go back after the locals and get their membership.

Q. What is the result of that so far as the Canadian Federation of Labour is concerned in 1938? You have got a return, I gather, of the two locals that they have, from the Canadian Federation of Labour?—A. You mean the two railway locals and the One Big Union.

Q. No. You told us you first circularize the organizations and get their affiliates; then you go back to the individual locals?—A. That is correct.

Q. When you did that last with the Canadian Federation of Labour, what return did you get?—A. We got a return from the Canadian Federation of Labour showing the central organizations that were in affiliation. One of those was the One Big Union.

Q. And how many were there?—A. The total membership of the Canadian Federation of Labour?

Q. The total number of local organizations.

By Right Hon. Mr. Meighen:

Q. I think the first is what we want. How many did they report as under their organization?—A. The Canadian Federation of Labour in their return, as this report shows, reported some 52,600 members.

Q. Do you dispute those figures?

Mr. BIGGAR: I was directing myself to a year later.

The WITNESS: We have no report for a year later.

By Mr. Biggar:

Q. What did you get the last time you asked?—A. Nothing at all.

By Hon. Mr. Calder:

Q. Do you expect to get that information?—A. We are hopeful.

Q. Have you got it in all previous years?—A. Oh, yes.

Q. Then you should get it now.

Right Hon. Mr. MEIGHEN: It is not in yet.

By Hon. Mr. Horsey:

Q. Do you take any steps—A. Oh, yes, we go back after them. We ask the secretary twice.

By Hon. Mr. Parent:

Q. Since when?—A. I mean that this is the procedure: we ask the secretary of the central organization twice. If they do not answer the first time we go back after the secretary and we refer to our first letter, our first questionnaire.

By Hon. Mr. Murdock:

Q. When did the Canadian Federation of Labour come into being?—A. In the late fall of 1936.

By Right Hon. Mr. Meighen:

Q. Do you dispute the figures they gave in January 1938?—A. In 1937, in order to verify these figures as near as possible, we circularized the local unions, and in that way the Canadian Federation of Labour returned 52,000 some odd members, and the local unions that we were able to secure replies from, after doing everything we possibly could to get the information, replied—thirty-nine out of seventy-two unions—giving slightly over 8,000.

Q. Anyway, whatever may be their character or beliefs, they embrace thousands?—A. They embrace local unions that have reported 8,000.

Q. You would not expect the others, the majority, to have none, would you?—A. We have returns for some this year we didn't have last year, and they are dead.

Q. How could they make returns?—A. They didn't. We have returns this year from certain locals—

Q. You say they reported, and they are dead. Did the returns show them dead?

Hon. Mr. ROBINSON: They are returns from dead locals.

By Right Hon. Mr. Meighen:

Q. Are the returns dead?—A. We circularized the last known secretaries of these unions in every case, and when a secretary replies back that they are dead, we take his word for it.

By Hon. Mr. Black:

Q. It is evident that they are a pretty large group, is it not, when you get up to 8,000 out of half their membership? It is reasonable to suppose it is a large group?—A. Compared with the others, not so large; but it is one of the main federated labour bodies.

By Right Hon. Mr. Meighen:

Q. It is the next largest to the All Canadian Congress of Labour and the American Federation, isn't it?—A. I would say the National Catholic Union, the Confederation of Catholic Workers, would come next.

By Hon. Mr. Haig:

Q. How many members have they got?—A. The last report showed slightly over 52,000.

Q. Did you get that from the locals or the central office?—A. From themselves, and the local unions would show the larger membership. But from the central office themselves they claim approximately 52,000 members.

Right Hon. Mr. MEIGHEN: That is the same as the Federation claim.

By Hon. Mr. Haig:

Q. Does the C.I.O. report?—A. Yes.

Q. What membership has it got?—A. The central organization in the United States only reports for the local unions they have themselves, the directly chartered unions. They do not report for their central affiliates. I mean the Automobile Workers is an affiliate of the C.I.O. The C.I.O. in reporting does not give their membership; it is for the central organization to do this; but for the directly chartered unions they report. That is, locals not connected with the central organization, but connected with the C.I.O.

By Right Hon. Mr. Meighen:

Q. It would be small compared with the others?—A. The C.I.O. is small. I think they have only nine directly chartered unions according to the latest reports, but their total membership for 1937 was considerable.

Q. Do you know anything against the Canadian Federation of Labour as citizens, any reason why they should not be heard?—A. No, sir.

By Hon. Mr. Black:

Q. Do they embrace anything other than railway employees?

Right Hon. Mr. MEIGHEN: Oh, yes.

[Mr. D. J. Sutherland.]

By Hon. Mr. Black:

Q. What do they represent?—A. The Canadian Federation of Labour, according to this report, have in affiliation central organizations—I think I had better turn to a handier page, 192—

By Hon. Mr. Parent:

Q. Where is their main place of business?—A. 126A Sparks Street, but according to what I have heard here, this Mr. Meikle, who is going to speak before you, is from Winnipeg.

Hon. Mr. HAIG: That is a good recommendation.

The WITNESS: Now, the first organization in affiliation with the Canadian Federation of Labour is the Amalgamated Building Workers. I am quoting this from the last report we have got.

By Hon. Mr. Beaubien:

Q. That report covers thirty-nine out of seventy-two?—A. Thirty-nine out of seventy-two.

Q. So that is the result of the report from thirty-nine out of seventy-two locals?—A. The report I gave you of 8,000 odd members. These are the affiliated central organizations: the Amalgamated Building Workers of Canada, the Electrical Communication Workers of Canada, the Canadian Federation of Musicians, the One Big Union, the Canadian National Printing Trades Union, the Brotherhood of Ships' Employees, and the Transport and General Workers of Canada.

By Hon. Mr. Parent:

Q. Will you tell me, among the different associations you have mentioned, are there any of the Catholic unions?—A. No, sir.

By Hon. Mr. Dandurand:

Q. What are the transport workers?—A. They take in some of the railway workers, and the others are labourers.

Hon. Mr. BLACK: And some Canadian National employees too.

Right Hon. Mr. GRAHAM: What harm would it do if we just used our own judgment for a few minutes and heard what these men wish to say, and formed our own opinions?

Right Hon. Mr. MEIGHEN: Hear, hear.

Right Hon. Mr. GRAHAM: Is there some trade regulation that would be violated if we did that?

Hon. Mr. PARENT: There is just one point I want to be clear about. Mr. Biggar has mentioned that 92,000 labour employees form part of the different unions, and after that he mentioned a few more thousands. Would he explain that?

Mr. BIGGAR: What I said was that last year we heard from two representatives of unions who, together, represented about 91,500, and that in addition to that it would appear there are only 5,100 odd, judging from that statement.

Right Hon. Mr. MEIGHEN: In railways.

Mr. BIGGAR: In the railways.

Right Hon. Mr. MEIGHEN: I do not look upon this organization as a railway organization. I do not think it matters to us at all.

Hon. Mr. ROBINSON: What is the situation? Does this man still want to be heard?

Right Hon. Mr. MEIGHEN: Yes.

Hon. Mr. ROBINSON: Where is he now?

Hon. Mr. BEAUBIEN: He is in Winnipeg.

Mr. BIGGAR: The president, Mr. Meikle is in Winnipeg.

Hon. Mr. HAIG: He lives and works in Winnipeg.

Hon. Mr. BEAUBIEN: Gentlemen, would you like to hear now—

Hon. Mr. BLACK: Would it not be as well to clean up this one thing?

Right Hon. Mr. MEIGHEN: I move that Mr. Meikle be advised that he will be heard at our next meeting, on the 21st or 22nd.

Hon. Mr. DANDURAND: I thought that we had fairly well covered the field last year with respect to the hearing of evidence. Now the question is, to what extent are we going to hear again the same class of evidence which we heard last year? And a question also arises as to whether we shall pay the expenses of witnesses who come from a distance. For instance, shall we pay the expenses of Mr. Meikle from Winnipeg?

Hon. Mr. HAIG: Mr. Meikle is the President of the organization.

Hon. Mr. PARENT: He must know less than the secretary.

Hon. Mr. DANDURAND: What did we do last year concerning witnesses from a distance?

The CHAIRMAN (Hon. Mr. Beaubien): I do not think we paid any expenses at all. And Mr. Meikle does not ask for any expenses. Mr. Peterson is the only one who asked to have expenses paid.

Hon. Mr. MURDOCK: If we heard Mr. Burford or Mr. Meikle, would we not also want to hear the other representatives of labour?

Right Hon. Mr. MEIGHEN: I thought we had heard them.

Hon. Mr. MURDOCK: As I was coming in this morning I had handed to me a letter that explains in detail some information that I think this Committee should have. I do not know whether the Committee want to hear it for what it is worth. It is signed by the President of the All-Canadian Congress. It explains the status of the matter, and I think it should be on the record, considering what we have had, because I do not think we have had all the facts that maybe we should have.

Hon. Mr. HAIG: Mr. Chairman, we did not question the status of the spokesman for the 91,000 people. They just gave us their reaction to the railway question. Mr. Meikle will do the same. I do not think we should go into the question which Senator Murdock has just raised, because if we did so we should get into a struggle between these different organizations as to their merits; and that would mean that we should be here all summer. I do not think we should ask Mr. Meikle any questions dealing with the American Federation of Labour, for instance, or the C.I.O. We could ask him how many members are in his organization, but beyond that all he should tell us is the attitude of his organization to the railway questions. I know, as a matter of fact, that there is a struggle between these organizations. I have no knowledge of what Senator Murdock's letter deals with, but I am afraid it will be some sort of attack on Mr. Meikle's right to speak for his organization. Well, he was elected president some six months ago, I think. We could hear him, but whether we wanted to agree with his views is another question.

[Mr. D. J. Sutherland.]

Hon. Mr. MURDOCK: We would not want to call in officials of the Témiscouata Railway and of half a dozen other of the twopenny-halfpenny railways in Canada, after having heard representatives of the Canadian National and Canadian Pacific. This letter I have comes from one of the organizations that was heard before; the letter is not very long, and if the Committee do not want to hear it read, it could be placed on the record.

Hon. Mr. COTÉ: If it is anything against Mr. Meikle, I think it would be very much fairer to wait until Mr. Meikle is here. Then he would have an opportunity to answer.

Hon. Mr. MURDOCK: It is from the President of the Canadian Brotherhood—

Hon. Mr. COTÉ: I do not care where it comes from. If it is an attack on Mr. Meikle, we should wait till he is here.

Hon. Mr. MURDOCK: It is not an attack.

Hon. Mr. HAIG: The Meikle organization represents the more radical element, the redder element, in labour. I am not saying that I support it. I am simply stating what it represents, as against the more conservative element, represented by the American Federation of Labour and organizations of that kind.

Hon. Mr. DANDURAND: I thought it had something to do with the railway organization.

Hon. Mr. HAIG: Yes, to some extent. The O.B.U., for instance, belongs to that association. It is a radical association in our city.

Hon. Mr. MURDOCK: Its chief function is to raise hell, and you gentlemen want to bring its representative here to continue that.

Hon. Mr. HAIG: No. But I think we ought to hear all sides of the story.

The CHAIRMAN (Hon. Mr. Beaubien): The motion is that this organization be heard. Are you agreed?

Hon. Mr. DANDURAND: We are satisfied with the status of their organization, at all events.

Right Hon. Mr. MEIGHEN: That is all I care about.

The motion was agreed to.

The CHAIRMAN (Hon. Mr. Beaubien): Perhaps I should put before the Committee now some requests from other organizations for a hearing. Mr. W. L. Best writes as Secretary of the Co-operative Legislative Committee of the Standard Railway Labour Organizations. I do not know who they are.

Hon. Mr. MURDOCK: That is an amalgamation of the train service organizations and the Trades and Labour Congress of Canada on these questions. The engineers, firemen, conductors and trainmen have not heretofore belonged to the Trades and Labour Congress of Canada, but in respect to these particular matters they are co-operating under the name stated in that letter.

The CHAIRMAN (Hon. Mr. BEAUBIEN): Were they heard through the major organization before?

Hon. Mr. MURDOCK: Oh, yes, Mr. Best was heard before.

Hon. Mr. DANDURAND: What is in Mr. Best's letter?

The CHAIRMAN (Hon. Mr. Beaubien): I will ask the Clerk to read it.

The Clerk read the following letter:—

CO-OPERATIVE LEGISLATIVE COMMITTEE
STANDARD RAILWAY LABOUR ORGANIZATIONS506 BIRKS BUILDING,
OTTAWA, ONTARIO,
March 9th, 1939.Mr. ARTHUR HINDS,
Chief Clerk of Committees,
The Senate,
Ottawa.

Dear Mr. HINDS,—I understand that the Special Committee of the Senate appointed during the last session of Parliament to inquire into the railway situation has been reappointed and will shortly commence holding public sittings.

We assume that in resuming the inquiry it is intended to review former submissions during last session, which would include those of railway labour groups given a hearing by reason of their holding working agreements with the railways. Therefore, on behalf of the Legislative Committee representing the Standard Railway Labour Organizations, whose membership are composed of the major number of railway employees affected, we shall esteem it a favour if you will arrange an opportunity to make such further representations as may be warranted by developments.

Thanking you in advance, I remain,

Respectfully yours,

WM. L. BEST,
Secretary, Co-operative Legislative Committee

Right Hon. Mr. MEIGHEN: His assumption is wrong. We are not going to review the submissions given last session.

Hon. Mr. CALDER: Mr. Chairman, personally I doubt very much the advisability of opening this whole question again. We heard a great deal of evidence last year from labour. I am not opposed to further evidence, if it would be substantially of any benefit. But we went over the whole ground last year; we heard everybody who asked to be heard, and we know what their representations were. They were very definite. And I daresay that if we continued investigating along the same line we would get just what we got last year. Labour naturally is afraid of its position; it is afraid of people being put out of employment and not being compensated for their loss. What labour essentially fears is reduction in employment. The story is the same from all labour organizations. It seems to me that that phase of the problem was very fully considered last year, and I doubt very much—I am merely expressing my own opinion—if it would be of any value to continue our investigation along that line. I understand there are other matters which are very essential to this inquiry and which we did not touch on at all last year, and that they may require a great deal of time. We do not know how long this session is going to last, but we certainly should strive to reach a conclusion this year and not have a further postponement.

Right Hon. Mr. MEIGHEN: Hear, hear.

Hon. Mr. CALDER: So I think we should exercise very great caution in opening up this investigation, unless it is absolutely necessary.

[Mr. D. J. Sutherland.]

Hon. Mr. DANDURAND: I am somewhat fearful of entering into the labour disputes which may develop from our examining this organization or its representatives. Other organizations may ask to be heard, to support or to contradict what is said by this organization. I thought we had closed that feature of our inquiry last year. I have no objection to standing by the decision reached by the Committee a few moments ago, but I am ready to retrace my steps if there is an impression that by hearing this organization we may be losing a lot of time and getting no further along than we are now.

Right Hon. Mr. MEIGHEN: I cannot envisage anything of very great consequence that we shall have to cover by way of evidence. My suggestion would be this: if another substantial labour organization wanted to be heard, I would not say No, but I would fix a time for getting through with the evidence. As I understand it, we are going to meet again on the 21st, on Tuesday. We could definitely decide to finish that day or on Wednesday.

Hon. Mr. DANDURAND: On labour matters?

Right Hon. Mr. MEIGHEN: On everything in the way of evidence. We could definitely decide to be through by Wednesday and hear no further evidence after that date. Nobody could complain, because in that way there would be no discrimination between one group and another. We have been fair and generous in the disposition of our time. From that date on we could direct ourselves to our report.

Hon. Mr. PARENT: What would Senator Meighen say about paying expenses of representatives?

Right Hon. Mr. MEIGHEN: That is another matter. I do not think that comes up in the case of Mr. Meikle, but it does come up in the case of Mr. Peterson. A good case could be made either way. We have not paid any expenses so far. There are exceptional circumstances in Mr. Peterson's case. He would not be representing any organization with funds, nor any special interests, as labour representatives do, in the main. He has given more time than anybody else I know of to the study of public matters affecting western agriculture. I want to disabuse anyone of the idea that Mr. Peterson is any special friend of mine. I do not think he has ever supported me in his life; I believe he has been quite the other way. But he is a particularly clear-headed and able man. Senator Riley knows him fully as well as I do. I know how he is regarded in the West. It would be hardly fair to ask him to pay his own expenses here, when he has no fund to fall back upon, no organization of any kind, and he would have to come from a long distance. He wants nothing for himself but his out-of-pocket expenses. It seems to me it would not be unreasonable to make an exception in his case; but if anyone has a different opinion, I would respect it.

Hon. Mr. DANDURAND: It occurs to me that a gentleman like Mr. Peterson who lives at a distance, could perhaps send us a memorandum. He is a writer, a journalist, and surely he will have his views on paper, even if he comes here. But if he would be content with sending a memorandum that would save him the trouble of coming here and save the treasury the cost of his expenses. Any memorandum received from him could be read by the Secretary of the Committee and placed on the record.

Hon. Mr. CALDER: I know Mr. Peterson very well. He was in the service of the Saskatchewan Government for some years. He is a very capable fellow, and I daresay what he would have to tell us would be of some importance. But after all he is only a single individual representing himself. Now, if we arrange to bring him here and pay his expenses, why should not anybody else anywhere in Canada who has views on this railway situation have exactly

the same right as we give Mr. Peterson? I think there would be danger of again opening up the field. John Jones down in Halifax has very strong views, and some person out in Vancouver also has very strong views. I have received many letters, pamphlets and other documents, and I suppose I have half a dozen of them on my desk now, from individuals dealing with this question who would like to give their views to us. Well, if that is the will of the committee, all right, but I think I can see where the inquiry would end in that event. It seems to me Senator Dandurand's suggestion is a good one. If Mr. Peterson has anything concrete and definite to represent to us with regard to this situation, let him send it in in the shape of a memorandum. Then we can all get a copy and read it.

Hon. Mr. DANDURAND: I see by his letter that among the different matters which he wants to bring before the committee he intends to stress the fact that greater immigration in the settlement of the west will not help the railways. Of course, this is a very interesting subject, but it is not absolutely germane to our mandate. I think we might suggest to him that he limit his statement to something practical concerning the solution of our railway problem. Mr. Peterson is a gentleman of note and a thinker, but I wonder if we shall be very much wiser by bringing him here instead of receiving his memorandum.

Hon. Mr. CALDER: What would you do if some person else asks for similar accommodation?

Hon. Mr. DANDURAND: I may say that I have received a very interesting study with some suggestions from Professor Currie, of Vancouver.

Right Hon. Mr. MEIGHEN: He does not ask to be heard, though.

Hon. Mr. DANDURAND: No. I would not ask Mr. Currie to come, but I would suggest that we read his study. I expect we shall have Mr. McDougall, of Queen's university who has asked to be heard.

The CHAIRMAN (Hon. Mr. Beaubien): Yes.

Hon. Mr. DANDURAND: He says he is ready to come on the 21st or a little later. All these are disquisitions on our problem.

The CHAIRMAN (Hon. Mr. Beaubien): Now, gentlemen, what do you say to Mr. Meighen's proposition that we choose a couple of days next week to close the investigation?

Hon. Mr. ROBINSON: To close the whole investigation?

Hon. Mr. HAIG: No, the hearing of evidence.

The CHAIRMAN (Hon. Mr. Beaubien): To close the hearing of evidence.

Hon. Mr. DANDURAND: Last week I think we agreed to hear from the Canadian National what lines are unprofitable—those that are in the red. That information would enable us to visualize the situation. Have they been notified?

Mr. BIGGAR: Yes.

Hon. Mr. DANDURAND: At that time we decided to ask the two railways what they have done since July last to implement our resolution of June 30th, in which we urged them to continue to co-operate as closely as possible.

Right Hon. Mr. MEIGHEN: We could hear from the two railways if we have asked them to do that.

Hon. Mr. DANDURAND: We have asked them to do that.

Hon. Mr. COTE: Are they going to deal with the matter of joint terminal facilities in Montreal?

Hon. Mr. DANDURAND: In asking them to tell us what they have done since last July towards co-operation we shall very likely strike the terminal situation.

[Mr. D. J. Sutherland.]

The CHAIRMAN (Hon. Mr. Beaubien): Gentlemen, does that meet with your approval?

Hon. Mr. CALDER: Would you ask the Canadian Pacific to define their lean lines?

Hon. Mr. DANDURAND: Yes, they can do that if they want to. These are two different aspects. We want first to know what is the situation of our own railway. If the Canadian Pacific desire to show their lean lines, they can do so. Of course, we are less interested in that part of the investigation since it is for the C.P.R. to decide for themselves what they can do with their lean lines.

Hon. Mr. SINCLAIR: If it is not wise for the C.P.R. to divulge that information, why is it wise for our road to divulge it?

Hon. Mr. DANDURAND: It is wise for this reason. Two-thirds of the Canadian National lines are, I suppose, in the red. It would be interesting to know what lines are permanently in the red, for then we shall see what the Canadian National is carrying for the State.

Hon. Mr. SINCLAIR: If there is no objection to that, why not ask the other road to do the same?

Hon. Mr. DANDURAND: There is no objection, if the other road is willing to do so.

Hon. Mr. MURDOCK: Last year we indicated to the railways that we wanted them to carry out the principles of co-operation to a greater extent than they had done before. My understanding is that for some weeks since that time a committee of officials from both railroads were in almost continuous session at London, Ontario, looking to the possibility of pooling or co-operating between Woodstock and Chicago, and that no concrete or definite results came from those long-drawn out conferences. I think we should hear from those who participated in those conferences in order to ascertain why co-operation fell down in that particular case.

The CHAIRMAN (Hon. Mr. Beaubien): I understand, gentlemen, that the committee is agreed to hear the railways even beyond the two days that we are reserving for the other parties who want to be heard.

Right Hon. Mr. MEIGHEN: We are free to do that afterwards.

The CHAIRMAN (Hon. Mr. Beaubien): Is that agreed?

Some Hon. MEMBERS: Yes.

The CHAIRMAN (Hon. Mr. Beaubien): Shall we fix, then, two days next week and ask those of the public who want to be heard to attend here?

Right Hon. Mr. MEIGHEN: Do not ask the public.

The CHAIRMAN (Hon. Mr. Beaubien): Reserving the two days for those who desire to appear before us, and not go beyond that period.

Right Hon. Mr. MEIGHEN: Yes.

The CHAIRMAN (Hon. Mr. Beaubien): Is that all right?

Some Hon. MEMBERS: Yes.

The CHAIRMAN (Right Hon. Mr. Graham): Are we not going to the other extreme?

The CHAIRMAN (Hon. Mr. Beaubien): We want to close the investigation some time.

The CHAIRMAN (Right Hon. Mr. Graham): How are the labour organizations to know whether they are going to be heard if you limit the time for hearing representations to two days?

The CHAIRMAN (Hon. Mr. Beaubien): I am referring only to those who have asked to be heard.

Right Hon. Mr. MEIGHEN: If they ask to be heard we can hear them.

The CHAIRMAN (Hon. Mr. Beaubien): Certainly. I may say that Mr. Peterson, Mr. McDougall and Mr. Seraphin Ouimet want to be heard. We can hear them during the two days.

Hon. Mr. HAIG: Mr. Dandurand has suggested that Mr. Peterson be requested to put his views in writing. Personally, I would rather see him here. He has a very wide influence in the West, especially in the farming communities.

Right Hon. Mr. MEIGHEN: I should very much like to see him here.

Hon. Mr. PARENT: Is he a journalist?

Hon. Mr. HAIG: He is the editor of the *Farm and Ranch Review*.

Hon. Mr. RILEY: That is the leading agricultural paper in Western Canada.

Hon. Mr. HAIG: Yes.

Hon. Mr. DANDURAND: If the gentleman from Calgary sent us a memorandum of his views it would save his time and the treasury expense.

Right Hon. Mr. MEIGHEN: If he is here he will have a lot more than a written paper to present. That is not the way he does business.

Hon. Mr. PARENT: That suggestion of presenting a written paper might apply to anyone. We might tell the railways to send in written papers.

Hon. Mr. HAIG: I do not think Mr. Peterson represents any sect, party or organization of any kind, but he certainly does speak for the farmers of Western Canada. They read his *Farm and Ranch Review*, and all the newspapers quote him freely. There is no doubt about that.

Hon. Mr. DANDURAND: I have no objection to his appearing. I should like to have his views.

Right Hon. Mr. MEIGHEN: I think we ought to make an exception in Mr. Peterson's case. I move that we pay his expenses.

Hon. Mr. MURDOCK: In that case won't you have to pay Mr. Meikle's expenses?

Hon. Mr. HAIG: He represents an organization.

Hon. Mr. BEAUBIEN: Well, gentlemen, what do you say to that proposition?

Hon. Mr. ROBINSON: This is largely, as I understand it, a matter of finances. We know that both the railroads are having a hard time, and it seems to me there are only about three ways in which things can be improved; one is by increased business; another is by paying less wages to the employees, and the third is by reducing the interest rate on the borrowed money.

Right Hon. Mr. MEIGHEN: That might not help.

Hon. Mr. CALDER: Increased freight rates.

Hon. Mr. ROBINSON: That would be increased business.

Hon. Mr. CALDER: No.

Hon. Mr. ROBINSON: We are up against a pretty hard proposition in any of these things. I do not see how we can increase the business much with competition. There appears to be a tendency the other way. I do not know how we can reduce the wages of the employees. They are very difficult people to handle. They always want more wages. As far as interest rates are concerned, I guess that is something beyond us.

The proposal for consolidation, if it means anything, means fewer employees, and while that might react to a certain extent upon the actual financial situation of the railways, it will leave more unemployed.

Is there anybody outside of the railways and the labour organizations who can give any enlightenment? If Mr. Peterson can do so, it would be refreshing to hear him, and if there are any other men in Canada who are not in the railway business but who can tell us anything, I think we ought to have them here.

[Mr. D. J. Sutherland.]

So long as we confine ourselves to labour organizations and railway employees we cannot get anywhere. I would say let us have Mr. Peterson, even if we have to pay a little to get him.

Hon. Mr. DANDURAND: Then we will make an exception as to the payment of his expenses.

Hon. Mr. BEAUBIEN: Out of pocket expenses for Mr. Peterson.

Some Hon. SENATORS: Carried.

Hon. Mr. BEAUBIEN: I have just now had handed to me a request to be heard from a Mr. Vaudrin.

Hon. Mr. DANDURAND: Senator Beaubien hands me a letter from a gentleman named George C. Vaudrin. It says:—

Having made a special study of our transport situation in Canada, particularly as concerns railroads and motor vehicles, the undersigned would greatly appreciate the privilege of bringing before your Committee the facts as seen by those most concerned, the workers and consumers in general.

The undersigned is not servile to any association or organization whatsoever; is absolutely independent of political influence; is recognized as an authority on railroading and other industries insofar as social and political economy is concerned; has no particular pecuniary objective and is free from all internicine intentions.

The desire to expound before your Committee, the basic subject concerned in either, or both languages is due to the firm belief that such an exposure of all the facts will be helpful to all upon who behooves the responsibility for good government.

The fear expressed by Senator Calder appears here. Here is a gentleman who has ideas, who thinks he can offer suggestions that will cure the evils from which we are suffering. I still cling to the idea that we should ask him to send a memorandum, so that our chairman may decide upon the advisability of calling him.

Right Hon. Mr. MEIGHEN: Would we not get over the difficulty by saying that if we have time to hear them we will do so.

Hon. Mr. DANDURAND: But they would stand at the end of the table and read a document and hold us for hours. It would not be a very agreeable task to say, "Your time is up." I would suggest to these gentlemen that they send memoranda.

Mr. Seraphin Ouimette, who has written on questions of transport, suggests that we should tunnelize the whole city of Montreal to facilitate the movement of freight trains from east to west and from one station to another. I think that before opening that door we should ask these gentlemen who have particular views to send a memorandum to the chairmen, who will decide as to the advisability of hearing further from them.

Right Hon. Mr. MEIGHEN: Mr. Vaudrin does not pretend to represent anybody in particular. He has done a lot of thinking on this. How would it do in this case to ask him to send his memorandum, and tell him that if he thinks he has something to say we will do our best to hear him during the two days?

Hon. Mr. DANDURAND: But he will be asked for a memorandum, and Mr. Ouimette too.

Right Hon. Mr. MEIGHEN: We can hear him if he comes during those two days. We can tell them we have to finish in those two days.

Hon. Mr. HAIG: Do not encourage them to come.

Before you leave this subject, Mr. Chairman, should those two days be Wednesday and Thursday?

Hon. Mr. DANDURAND: Tuesday and Wednesday.

Hon. Mr. HAIG: The Divorce Committee is sitting on Tuesday and has a very heavy day ahead of it.

Hon. Mr. DANDURAND: We will proceed on Tuesday and Wednesday.

Right Hon. Mr. MEIGHEN: All right.

Now, I have been thinking of the report. I know what a tremendous job it will be to prepare it. I wonder if we can suggest anything that would be of use in making progress? My idea is this. If Mr. Biggar could prepare an analysis of the evidence, which is of stupendous size, consulting with the chairmen and having his analysis revolve around the subject matter of our commitment—that is to say of finding some way to relieve the burden—it should be of assistance. As far as I can recall, there are just two suggestions. One is some form of unification, and the other co-operation. Naturally the analysis would bear on this, and there would be references as to where the evidence on certain points would be found for and against these proposals.

Hon. Mr. MURDOCK: At the last meeting we were promised something that I have not yet received.

Hon. Mr. BEAUBIEN: It is being printed.

The CLERK OF THE COMMITTEE: I thought we would have had it by now. It is on its way.

Hon. Mr. DANDURAND: That is the memorandum of Mr. Biggar referred to at the end of the last session.

Hon. Mr. BEAUBIEN: Yes, and of the two leaders and of the two chairmen.

Right Hon. Mr. MEIGHEN: No doubt the memorandum already put in will be very helpful, but I should think we could go more systematically about our work if there were something of the nature I have suggested. I hope Mr. Biggar will not have to come to me, but he could confer with the two chairmen. My idea is that there should be a sort of parallel exposition, in synoptic form of the evidence, with references so that anyone who wants to go into detail will be able to do so.

Mr. BIGGAR: That is a very big job.

Right Hon. Mr. MEIGHEN: I know it is.

Mr. BIGGAR: It is not something that can be done adequately within a week, a month, or six weeks.

Right Hon. Mr. MEIGHEN: I would not want you to make it too extensive. Much of it can be done by reference.

Mr. BIGGAR: It may be that the Committee can come to a conclusion on the possibilities of the situation without going through what has actually been said about it.

Right Hon. Mr. MEIGHEN: I do not see how we can.

Hon. Mr. DANDURAND: I think we could perhaps postpone this to the next sitting. In the meantime we will have the statement of Mr. Biggar, which covers the whole inquiry, and will give us his impression, which was fresh at the moment, as to the salient points of the inquiry and as to what we should explore towards reaching a conclusion.

I did not sufficiently express my thanks to Mr. Biggar for having given us in four or five pages the essence of the inquiry. It struck me as a very interesting document. He puts a question which is antecedent to the weighing of the evidence, that is to say, are we ready to agree on unification, even if the savings would be greater than those under co-operation? That is one of the questions we will have to discuss.

But I will not stress that point. The members of the Committee may read that statement of Mr. Biggar and decide if the representation he makes as to

[Mr. D. J. Sutherland.]

the questions we should discuss seriatum is the proper one. I have not got the statement before me, but it struck me as a very lucid and logical one. Mr. Biggar looked at the matter objectively, as all of us should do.

Hon. Mr. HAIG: Could Mr. Biggar tell us what he could do between now and the next sitting in the way of preparing a synopsis along the lines suggested by Mr. Meighen?

Hon. Mr. PARENT: It is a big job. Could you do it in a week?

Mr. BIGGAR: No.

Right Hon. Mr. MEIGHEN: I do not think you could do it in a week. I do not think, however, you would have to read the whole of the evidence. What I am thinking of is such a review as will enable us to put our hand on what we want, and enable the public to do so afterwards.

Hon. Mr. DANDURAND: Taking the review of our work, as you have it before you, Mr. Biggar, would it be possible to expand it a little, with respect to each of the questions that you have treated?

Mr. BIGGAR: Of course, this was done months ago. To do anything of that kind adequately you would have to sit down and go through the evidence from end to end. I have no memory of it now that would enable me to sit down and dictate anything. You would have to begin by reading your book.

Right Hon. Mr. MEIGHEN: But you could read very rapidly. Could you—if we do not issue any definite instructions now—confer with the Chairman as to what further assistance you could render to the Committee?

Mr. BIGGAR: I shall be very glad to do that, within a time that is going to be useful.

Hon. Mr. DANDURAND: Is it understood that all others who may want to be heard, outside of Mr. Peterson, Mr. Meikle and Mr. McDougall, will be asked to send a memorandum?

The CHAIRMAN (Hon. Mr. Beaubien): Do you not think that in asking anyone to send a memorandum we should specify that it should not take longer than twenty minutes to read? And we could state that if we find it necessary to ask the writer of the memorandum to appear before us, we will do so?

Hon. Mr. DANDURAND: I would ask for a concise statement of the important points.

The Committee adjourned until Tuesday, March 21, at 10.30 a.m.

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THE SENATE OF CANADA



PROCEEDINGS

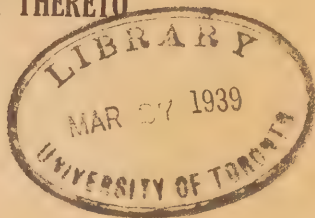
OF THE

SPECIAL COMMITTEE

Appointed to

ENQUIRE INTO AND REPORT UPON THE BEST MEANS OF RELIEVING THE
COUNTRY FROM ITS EXTREMELY SERIOUS RAILWAY CONDITION
AND FINANCIAL BURDEN CONSEQUENT THERETO

No. 2



The Right Honourable George P. Graham, P.C., and
the Honourable C. P. Beaubien, K.C.,
Joint Chairmen

WITNESSES:

Professor John L. McDougall, Queen's University, Kingston, Ontario.
Mr. Allan Meikle, President, Canadian Federation of Labour.
Mr. W. L. Best, Secretary, Co-Operative Legislative Committee,
Standard Railway Labour Organizations.

EXHIBIT

98. Chart showing railway gross earnings as a percentage of the
National revenue produced.

ORDER OF APPOINTMENT

(Extracts from the Minutes of Proceedings of the Senate for March 7, 1939)

Resolved,—That, with a view of completing the inquiry pursued during last session by the Special Railway Committee of this House, and preparing and submitting an adequate report on such inquiry, this Special Committee be re-appointed with a view to inquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, with power to send for persons, papers and records and that the said Committee be re-appointed with the same personnel and, therefore, that it consist of the Honourable Senators Beaubien, Black, Buchanan, Calder, Cantley, Côté, Dandurand, Graham, Haig, Hugessen, Horsey, Jones, Hardy, McRae, Meighen, Murdock, Parent, Robinson, Sharpe and Sinclair.

MINUTES OF EVIDENCE

THE SENATE

TUESDAY, MARCH 21, 1939.

The Special Committee reappointed to inquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, met this day at 10.30 a.m.

Right Hon. Mr. Graham and Hon. Mr. Beaubien, Joint Chairmen.

Colonel O. M. Biggar, K.C., Counsel to the Committee.

Hon. Mr. DANDURAND: Mr. Chairman, there are two parties from Montreal who have asked to be heard. They were invited to send a memorandum, giving us the ground which they would like to cover. One has written a fairly long statement, and the other has sent a comparatively short one. I suggest that, if it is agreeable to the Committee, these two communications be examined by the Chairmen and Senator Meighen and myself, so that we may see if they are germane to our inquiry. We would report to the Committee, and if we found that the communications were not germane, we would not need to have these gentlemen before us. One of the letters says this:

In resume I am going to prove that the revenues of our railways could be augmented by more than 50 millions annually with the aid of the Imperial Government, with co-operation, with or without fusion; and this without repudiation of debt, or diminution of salaries.

This method is presently before the Imperial Government, the Bank of England and British finance. The legislation is also in the hands of the Procurer General of the Province of Quebec and other legislation will be placed before the Federal Government, shortly.

Right Hon. Mr. MEIGHEN: Who is the author of that?

Hon. Mr. DANDURAND: I am not giving the name now. But I would suggest that that gentleman be asked to send to the Chairman these proposals which are before the Imperial Government, and so on, so that we may judge if we need call him to expand on his views before the Committee.

Hon. Mr. ROBINSON: Would it be a good idea to refer that to the Committee on External Relations?

Hon. Mr. DANDURAND: The other letter, as I say, is very long. I see that Senator Black is reading it. Is it agreeable to the Committee that the Chairman and Senator Meighen and I examine into this long letter and see if it would be of any advantage to the Committee to hear the gentleman? If we did decide it was wise to hear him, it might be well to have a copy of his long letter sent to every member of the Committee first.

Right Hon. Mr. MEIGHEN: Does he desire to be heard?

Hon. Mr. DANDURAND: Yes. But we could ask him to send a memorandum, so that we might decide whether we should hear him. Is that agreeable to the Committee?

Hon. Mr. PARENT: It looks very selfish of you to get all this information on these important matters, while the rest of us have none at all.

Hon. Mr. DANDURAND: We must first decide if the matters he wants to bring before us are germane to our inquiry.

Hon. Mr. ROBINSON: Would it be worth while to give his name? Do you not want to make the name public?

Hon. Mr. DANDURAND: We will report. I did not know of the name myself; I have just learned it.

Mr. BIGGAR: Mr. Chairman, on Saturday morning I got a telegram from Mr. Peterson, of Calgary, whom the Committee desired to hear, stating that just as he was about to leave Calgary on Friday evening his daughter had died. I took the responsibility of saying that in the circumstances the Committee would not insist upon his presence here to-day, and that I would let him know after to-day when the Committee would hear him. I think he is prepared to come at any time.

Right Hon. Mr. MEIGHEN: I would say a week from to-day.

Hon. Mr. DANDURAND: Yes.

The CHAIRMAN (Hon. Mr. Beaubien): Is it your pleasure, Gentlemen, that Mr. Peterson be heard a week from to-day?

Hon. Mr. ROBINSON: Are we sure that we shall be meeting next Tuesday?

The CHAIRMAN (Hon. Mr. Beaubien): Perhaps Wednesday would be better. Would that suit you, Senator Meighen?

Right Hon. Mr. MEIGHEN: That is all right.

The CHAIRMAN (Hon. Mr. Beaubien): Then we will make it next Wednesday, the 29th.

Mr. BIGGAR: The Committee decided to hear two witnesses: Mr. Meikle and Professor McDougall, of Queen's. I would suggest that perhaps we might take Professor McDougall first, if the Committee approves.

Mr. JOHN L. McDUGALL was called as a witness.

By Mr. Biggar:

Q. Professor McDougall, you advised the Committee, I think on the 2nd of February, that you would like to appear before it to discuss the wages and working conditions of railway employees on train and engine service, a matter of importance especially in relation to branch line abandonment and motor competition?—A. Yes sir.

Q. You, I understand, are Assistant Professor of Commerce at Queen's University?—A. Yes sir.

Q. And have throughout the last several years made a special study of this situation in relation to railway wages of the running men and its effect on the operation of the railways?—A. Yes sir.

Q. And you have, I think, prepared a memorandum covering the results of your investigations, so far as they have a bearing on the subject that the Committee has to deal with?—A. Yes sir.

Q. Will you go ahead and deal with the subject on that basis?—A. Yes sir. I have a memorandum that I will read.

Mr. Chairman, Gentlemen of the Committee:

With your permission I should like to confine myself rather strictly to a consideration of the employees in train and engine service—engineers, firemen, conductors, brakemen, baggagemen and flagmen. I propose to argue that the agreements governing their wages and working conditions are seriously obsolescent, if not totally obsolete, and provide a serious obstacle to the recovery by the railways of the competitive position to which their basic strength as carriers would entitle them. In order to prove that position, certain basic propositions concerning the railway industry as a whole are first offered.

The railways are now and have continuously been since not later than 1923, a declining industry. That relative shrinkage was masked up to 1928 by the rise [Prof. John L. McDougall.]

in general business activity, but the drastic decline since that date is only partly the result of a cyclical decline in general business; it is also the result of a secular decline which has been running substantially unbroken since the end of the last war. Table 1 is given as proof of that statement. It shows railway gross earnings as a percentage of the national income produced. These percentages are given rather than the original figures, because the wide movements in all economic series make it difficult to see trends in them which become perfectly clear in the percentage comparisons.

TABLE 1
RAILWAY GROSS EARNINGS AS A PERCENTAGE OF THE NATIONAL
INCOME PRODUCED¹

Year	Freight percentage	Passenger percentage
1921..	7.81	2.20
1922..	7.70	1.93
1923..	7.85	1.98
1924..	7.27	1.88
1925..	7.06	1.71
1926..	7.23	1.65
1927..	6.82	1.56
1928..	7.25	1.47
1929..	6.56	1.37
1930..	6.25	1.29
1931..	6.23	1.14
1932..	6.41	1.08
1933..	6.26	0.99
1934..	6.36	0.96
1935..	6.22	0.91
1936..	6.20	0.87
1937..	5.91 ²	0.85 ²

¹ The Bank of Nova Scotia, *Monthly Review*, May, 1937, and July, 1938.

² Based on preliminary estimates of the national income.

By Hon. Mr. Sinclair:

Q. That is for Canada only?—A. Yes sir.

By Hon. Mr. Hugessen:

Q. As a matter of interest, will you tell us where you derived the national income figures from?—A. From the Bank of Nova Scotia *Monthly Review* of May, 1937, and July, 1938.

Q. But where did they get their figures of the total national income for those years, upon which you based these percentages?—A. These are based primarily on the Dominion Bureau of Statistics figures; and secondly, they have been supplemented by certain other private investigations. If I may illustrate: Professor MacGregor, who has been working in co-operation with the bank, has worked for I should say not less than five years in finding out particularly those particular parts of the national income which are not covered well by the Bureau—the earnings, for example, of all employees of banks, insurance companies and so on. So the figures which the bank has prepared are therefore the best which are available over that whole period.

By Hon. Mr. Calder:

Q. What is meant by the term “national income”?—A. It is the total money value of production inside the country in the year.

Q. Production?—A. Yes. That is, it is the summing together of the production on farms and in mines and factories, the work of service people, such as dentists and doctors and teachers and everybody in those lines. Everybody working for money comes into the national income.

Q. It must be a very difficult thing to get at?—A. It is immensely difficult, sir.

Q. What reliability can be placed on these figures?—A. Professor Colin Clark in working on the national income in Great Britain has come at it from two directions, and he checks within two per cent. I would say that in Canada the figures would be wider; that is, in any one year there might be an error as high as five per cent.

Q. There is nothing in the shape of a census taken at all. How many men in this room, for example, have been investigated as to their income?—A. Well, their incomes will appear, first of all, in the payments of the Dominion Government. They will appear, secondly, as payments by industry, in so far as they draw dividends or bond interest. They will appear in the accounts of the Government, if they hold Government bonds and draw interest from them.

Q. For all the people of Canada?—A. It is all pooled together. I would not for a minute say that the absolute dollar figure is as important as the trend of that movement. That is, I am much more interested in a change, say, of 5 per cent between 1937 and 1938 than I am in saying that in 1937 the national income is \$4,500,000,000.

Q. The whole thing is based on the accuracy of your income figure. If your income figure for 1934 is so much, and another for 1936 is so much, and those income figures show a trend, the accuracy of the trend depends upon the accuracy of your original figures?—A. No, sir. That is where I would differ.

Q. If you reduce it to a percentage?—A. If you work on the same basis in preparing your 1934 and 1936 figures, then if there is an error in your method it is present in both, and your trend may be accurate even though your figures are not.

By Hon. Mr. Robinson:

Q. The figures are given by our Bureau of Statistics for a number of years. I have read them. They are supplemented by the?—A. Bank of Nova Scotia.

Right Hon. Mr. MEIGHEN: The economic journals of Great Britain deal regularly with the national income of that country and appear to be well-informed on the trend. It is quite a common basis of calculation.

By the Chairman (Hon. Mr. Beaubien):

Q. Will you proceed, please.—A. Yes, sir. I may say the first column, headed Freight percentage, is based on the railway returns of gross earnings of rail line freight; that is, revenue taken in from carriage of freight. The passenger percentage is based on the gross earnings of rail line passengers. The data in this table have been reproduced in Graph 1 in order to make the rate of decline clearer. This graph is on ratio scale so that equal movements in either direction represent equal percentage changes. It will be seen that the straight lines which give the best fit show a negative inclination over 1.75 per cent for freight and 6.2 per cent for passenger revenue.

By Right Hon. Mr. Meighen:

Q. We have not the graph, have we?—A. No, sir. This is the particular percentage here.

By Hon. Mr. Dandurand:

Q. That does not mean anything to the shorthand reporter.—A. Oh, yes. The lower chart is for passenger, this upper one is for freight. You will see the negative inclination here in freight is rather more than 1.75 per cent per
[Prof. John L. McDougall.]

annum—a continuous fall in relation to the national income; and in relation to the passenger service it is rather more than 6.

By Hon. Mr. Parent:

Q. The red line there shows the ups and downs, does it?—A. Yes, sir. The straight black line is the 6 per cent trend.

By Mr. Biggar:

Q. Where does the left-hand end, the high end of your graph, begin?—A. They start in 1921 and run through to 1937.

Q. And the percentage scale?—A. Is on the side

Q. Is it logarithmic?—A. Yes, sir, so that an equal vertical distance shows an equal percentage change.

Q. And the total percentage change from 1921 to 1937 in freight is how much?—A. It runs down from 7·81 per cent in 1921 to 5·91 per cent in 1937; and in passenger business from 2·20 in 1921 to ·85 in 1937. The important thing is the extraordinary regularity in that drift. In the freight business there are the changes which are really connected with the good western crops. The peaks are 1923, 1926 and 1928, and a certain upward tendency in 1932; all of them connected with good western crops.

Q. It looks to me as if 1934 was a little higher than 1932.

Right Hon. Mr. MEIGHEN: No, it is lower.

The WITNESS: Very slightly lower, sir.

By Mr. Biggar:

Q. It is almost level?—A. Yes.

Q. But the peaks your refer to are all the good western crop years?—A. Yes, the good western crop years, and all of them after 1923. That is, while they are peaks, they are all lower than the preceding peak; the continuous drift is downward even in the best years.

That comparison is not put forward as something novel. It is merely an attempt to put into definite and measurable form what is common knowledge—that the railways are losing position. They are under pressure all along the line. The lush earnings which they once had upon their main lines have been very greatly reduced and the modest profits on many branch lines have been replaced by substantial losses.

A great many factors have contributed to that change. It would be a grave mistake to set it down as all due to motor competition. In fact, motor competition for freight traffic did not become important till about 1929-30,¹ and it was not until 1933 that general rate changes were instituted in the central region to meet it. In relation to passenger traffic, it is possible that the pressure of motor competition has been important, but it should be noted that these losses of the railways were occurring at a time when the volume of passenger travel was increasing more rapidly than at any time in the past. In other words, these figures greatly understate the relative losses of the railways in the passenger business. For present purposes, however, it is enough to say that the railways have been under the most severe pressure since 1923 to rearrange their services to make them more desirable to the travelling and shipping public. And it is against that background of an industry fighting what has, to date at least, been a long, losing battle, that I want to consider the wages and working conditions of the train and engine service employees.

Trains operation involves certain peculiarities which deserve notice. Firstly, the volume of traffic fluctuates and therefore the number of trains. Those

¹ The joint committee of the railways reported to the Duff Commission a loss of about \$24,000,000 in freight revenue in the year 1930. This was equal to about 7·4 per cent of the rail freight earnings of the year and to only 5·8 per cent of the rail freight earnings of 1928.

movements are probably beyond any control and are certainly beyond the control of the railways, but they make it necessary to have more workers on the list of availables than can regularly find full-time work except at the seasonal peak. In some way or other the job must be made sufficiently attractive to hold them in this field. Secondly, even the engineer, who is the most skilled member of the train crew, need not be a person of an unusual skill. A man of sound intelligence could be trained to operate a locomotive in a very short time. In the pre-war period when the labour force was being rapidly increased, men quite frequently ran as full-fledged engineers after only six months' experience. The distinguishing mark of these men is not any unusual skill or the necessity of long training; it is the possession of certain general qualities of character and intelligence. They must be capable of accepting responsibility and fulfilling it exactly. It is not an occupation which is carried out under the eye of a foreman. They work, in large measure, beyond any but the most general controls. If they do their work well it is because they are responsible men who are governed by a sense of honour and esprit de corps. If they wished to sabotage operations they could do so with the greatest of ease and in such fashion as would make it impossible to impose any discipline upon them. They stand therefore in a position of unique power, and it is one of the major tasks of management to evoke their co-operation because, by the very nature of their work, it cannot be compelled. The results of these unusual conditions are embodied in the methods of wage payment and in the working agreements governing the application of their labour.

Payment for work done is made upon the so-called dual basis of time or mileage. It amounts to working upon a piece rate of pay with a high guaranteed day rate. The basic equation is that 100 miles in freight service or in passenger engine service and 150 miles in passenger train service equals one day's work. If additional mileage is run inside the normal day, it calls for additional payment on a pro rata basis. That is, one hundred and fifty miles in freight service inside eight hours would call for a minimum of one and one-half days' pay. If the duty for which the man was called is completed with less than one hundred miles run, it still calls for a full day's pay, while any time put in over the normal day is paid for at time-and-a-half unless payment upon a mileage basis would produce a still greater amount. In addition, certain employees in assigned service operating regularly scheduled trains enjoy guarantees of a minimum monthly pay.

This system of incentive wage payment was introduced in the Middle Western United States in the late 1880's by railway management and spread very rapidly. I have no reason to believe that it was not eminently fair and wholly satisfactory at the time of its introduction. Train speeds and railway signalling being what they then were it probably was a right and proper basis of wage payment. But though railway operations have improved out of all recognition in the last fifty years, the unions have continuously and, so far, successfully, resisted any alteration in that totally obsolete arrangement. Among the results of that refusal to change the basic equation as railway operating conditions and general economic conditions changed, the following may be noted:—

- (1) It makes the wages cost per train mile absolutely inflexible. Its influence is toward encouraging the railway management to increase the size of trains, and therefore to reduce the volume of employment offered.
- (2) As train speeds increase it makes it necessary either to give the senior employees who take the fast runs the opportunity to make inordinately large earnings, or else to give them rather startling amounts of leisure time by limiting the maximum monthly mileages which they may run.
- (3) It has encouraged an attempt to define each job as narrowly as possible and then to exact additional payments for any service rendered which is outside the very limited range of duties as so defined.

[Prof. John L. McDougall.]

In various scattered sources there is a great deal of information about these employees. Their numbers, equated time paid for and wages earned are all reported, by classes, in the Statistics of Steam Railways of Canada. Their disputes concerning rates of pay have frequently led to the appointment of Boards of Conciliation and Investigation under the Industrial Disputes Investigation Act, and the reports are all published in the Labour Gazette. The railways print the agreements covering wages and working conditions with each separate class of employees. Finally, the Labour Gazette has published all the reports of the decisions of the Canadian Railway Board of Adjustment No. 1 which is the final court of appeal for the interpretation of these agreements. It is proposed here to piece together the information contained in these various sources in order to document fully the conclusions outlined above.

The Canadian Railway Board of Adjustment No. 1, which has just been mentioned, needs a word of explanation. It is a body formed in 1918 to ensure a uniform application in Canada of the orders of the Director-General of Railroads of the United States covering wages and working conditions. It was found so useful that it was continued in existence after the war as a final court of appeal on the interpretation of these agreements. It has had over twenty years of unbroken existence. It is composed of six representatives of the railway unions² and six officers appointed by the railway companies. While provision is made for breaking a deadlock if one should occur it has never had to be evoked.

Its procedure is strictly that of a court of appeal. When a dispute arises, it is carried through the normal channels of adjustment inside the individual railroad system. Not until it has been carried to the head of the system without settlement is there any right of appeal to this Board. When such appeal is made, it is made on the basis of an agreed statement of fact subscribed to by the union affected and by the railway company. It is therefore proper to state that the cases which come before the Board embody important questions of principle. They have passed up the line to the most senior officers of the unions and of the railways respectively. Anything of minor importance is sifted out. These cases represent points of principle to which the unions affected are deeply committed.

I turn there to the proof of these three points. No special proof is necessary for the first proposition. It is obvious that if each member of the train crew is paid for each mile run there is no way in which wages cost per train mile can be reduced except by cancelling the train altogether. The cost per mile can be increased by keeping the men on duty until overtime is paid, but it cannot be reduced. Therefore the only remaining course open to management is to increase the size of the train and so reduce the wages cost per revenue ton mile.

There are two qualifications to that statement. Firstly, after a train passes a certain size an additional brakeman must be employed, so reducing to some extent the economy of increasing train size. Secondly, if a special agreement is made beforehand with the unions affected, short motor trains may be run with less than the normal full crew.³

By Hon. Mr. Murdock:

Q. You are referring to passenger trains when you say an extra man must be put on?—A. No, sir, I don't think so.

Q. If you check up, I think you will find that is so—eight cars or more require an additional brakeman in passenger service.—A. In the rates of pay governing conductors, baggage men and yard men—

² The Brotherhood of Locomotive Engineers, the Brotherhood of Locomotive Firemen and Enginemen, the Order of Railway Conductors, the Brotherhood of Railroad Trainmen, the Order of Railway Telegraphers and the Brotherhood of Maintenance of Way employees.

³ See, for example, the decision in case No. 326, *Labour Gazette*, XXVIII (1928).

By Hon. Mr. Parent:

Q. What are you quoting from?—A. This is the publication of the railway, the schedule of rates of pay of conductors, baggage men and yard men, issued by the railway to the men, to govern the pay which they claim. Article 75:—

CONSIST OF CREWS—FREIGHT AND WORK TRAIN SERVICE

All freight and work trains will have at least a conductor and two brakemen. Where conditions warrant an additional brakeman will be supplied on way freight and pick-up trains and where three brakemen are now employed on such trains no change will be made except by agreement between the Local Chairman and Local Railway Officers.

So there is provision for increasing even beyond the five man crew other than in passenger service.

By Hon. Mr. Murdock:

Q. Can you cite an instance where it has ever been done?—A. No, sir, I can only work through what has been published. If I were in the railway service I possibly could.

The second point is one which requires rather fuller mention. The mileage rate of pay is set with the normal run in mind; but there are an increasing number of runs on which very high speeds are made. It is true that the strain of operation may be greater but it is highly questionable that it rises in step with the speed of the train. Certainly the desirable runs seem to be those which permit a man to go out to the distant terminal and then to return within the one working day. At the last Board of Conciliation and Investigation, the railways, in their *Introductory Statement*, brought up a case which should be quoted in full.

In main line service enginemen run only between divisional points. To take another case for illustration. Engineers running in through passenger service between Montreal and Brockville in approximately three hours would earn their day's pay of 126 actual miles run, and in addition would receive payments for preparatory time, initial terminal service and final terminal delay, representing a total time of approximately five hours, or 180 miles, which would be \$2.07 per hour for the five hours worked. On many such runs engineers make the round trip in the same day and so for one calendar day representing on the basis of the case mentioned ten hours actual working time receive for the calendar day pay for two basic days amounting to a total of \$20.70. Under the application of temporary mileage limitation regulations adopted at the request of the Employees engineers in this service earn approximately \$269 for working ten hours per day on only thirteen calendar days per month. It is not claimed that this is an average condition. The example, however, indicates what the present high rates of pay do produce in compensation under the conditions actually existing in such service as that mentioned.

The question before that Board was whether the 10 per cent reduction in the basic rates of pay which was then in effect should be cancelled. The agreement which ended the dispute conceded the men's contention. That is, the effective rate of pay was increased by 11 per cent, lifting the earnings of this employee to \$23 for each calendar day of service rendered. Even with the reduced mileage then in effect that gives monthly earnings of \$299. Since that time, most of those temporary limitations have been lifted⁴ with a corresponding

⁴ Cf. Case No. 469, *Labour Gazette*, XXXVIII (November, 1938), pp. 1215-16. In this case it was shown that in one case the mileage of engineers was increased from 4,160 to 5,200 miles per month; in another, from 4,200 to 5,397 miles in assigned service. On the facts cited above, \$299 per month is the current earnings for approximately 4,680 equivalent miles, and only 3,276 actual road miles. If the present mileage be assumed to be 5,397 miles, then monthly earnings would rise to \$345 per month for 15 calendar days of work.

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increase in the earnings of those senior employees who are able to get the increased mileage.

It is not argued that this is an average case, but it does show what is to an increasing degree possible. In this case, the fastest trains are scheduled to make the run in two hours and twenty minutes in each direction, leaving at three p.m., returning to Montreal at 10.30 p.m., with a rest period of better than two hours and a half at Brockville. It is suggested that \$23 is hardly to be described as niggardly remuneration for that service.

There is no data published in Canada which make it possible to show how general such a situation is. With rising speeds for both freight and passenger trains, it must be becoming increasingly so, but the Canadian wage statistics give no indication of it. They show the equated hours paid for, not the hours actually worked. It is therefore necessary to turn to the United States for statistics which indicate the discrepancies between the hours worked and the hours paid for. *The Wage Statistics—Class I Steam Railways in the United States*, published by the Bureau of Statistics of the Interstate Commerce Commission, have been analysed by Mr. Bertrand Fox in the March, 1935, issue of the *Harvard Review of Economic Statistics*,⁵ who has shown that continuously from 1921 to 1932 there was a growing disparity between time paid for and time actually worked. The situation at 1937 is embodied in the following table.

TABLE 2
COMPENSATION PAID TO ROAD TRAIN AND ENGINE SERVICE EMPLOYEES IN 1937
AS A PERCENTAGE OF THE TOTAL PAID TO EACH CLASS—
CLASS I STEAM RAILWAYS OF THE UNITED STATES

Nature of payment	Class of service		
	Road passenger	Road freight (through freight)	Road freight (local and way freight)
	%	%	%
Straight time actually worked.. . . .	61.98	64.75	73.41
Straight time paid for but not worked..	32.50	25.28	7.29
Total straight time paid for.. . . .	94.48	90.03	80.70
Overtime paid for.. . . .	2.87	5.35	17.11
Constructive allowances.. . . .	2.65	4.62	2.19

It will be seen from this table that even in the local and way freight service the compensation for straight time actually worked does not amount to 75 per cent of the total compensation received. Whether the Canadian situation is so extreme as that cannot be determined from the existing records, but it is clear beyond the shadow of a doubt that the tendencies in the two countries are the same. If we are not yet at that state, we are rapidly approaching it.

The third tendency which was stated to be present was one to define the assignment narrowly and then to extract additional payments for any additional service rendered. The theory upon which it proceeds is that the management having accepted the basic mileage as a full day's work can properly be required to pay additional compensation if it requires anything to be done or left undone which would increase the time in which the basic day's service may be rendered. Closely allied to this, are two other forms of payment. Punitive rates of pay are set upon certain services not as a means of increasing the pay, but as a penalty rate so severe that the service will not be required. The other type represents an effort to "make work." The penalty rates are designed to encourage the management to call additional crews into service even though the work could be done by those crews already in service. The cases to which reference will now be made will be predominantly, but not wholly, of the first type. The first example to which I wish to refer is Canadian Railway Board of Adjustment, Case No. 413⁶. The facts were that the engines used on two trains

⁵ XVII, 60.

⁶ *Labour Gazette*, XXXIII (1933), 898.

operated into Huntsville, Ontario, were too long to be turned on the turntable there. Their crews were therefore ordered to proceed light to Scotia Junction, a distance of 15 miles and to turn on the wye there. For that service they were offered payment upon a mileage basis. The offer was refused and a claim made for an additional minimum day's pay on the ground that their initial assignment had been completed and that the additional work called for the beginning of a new day, for pay purposes. There is no suggestion in the report that the entire service was not completed within the normal hours of work, but the employees' claim was sustained by the Board. Interesting as showing the extent to which the unions go in attempting to use a narrow interpretation of the rules as a means of extracting extra pay is Case No. 400⁷. A passenger train was delayed for an hour and fifty minutes about four miles out of Saskatoon by the derailment of one of the cars. The conductors and trainmen claimed payment under the terminal detention rules, which would have resulted in additional payment solely because the derailment occurred with the yard limits as defined for the freight service. The claim of the employees was not sustained.

I bring that case up as an example of the attitude of a sea lawyer who is working strictly inside the rule and not in any sense with what is equitable.

Case No. 304 is rather less pleasant in its implications.⁸ A conductor and crew booked rest immediately upon arrival at their terminal after a run of 9 hours and 45 minutes, although their train contained livestock and there was no switch engine at the terminal. The appearance therefore was one of conduct which bordered upon sabotage. The men were disciplined and their appeal from that discipline was carried up to the Board. "They stated that their action in booking rest was justified by Rule 27 of the conductors' and Rule 32 of the trainmen's schedule which provide that conductors or trainmen on arrival at terminals are not to be called for immediate duty if they want rest, and that they are to be judges of their own condition."⁹ Their claim was not sustained, but the fact that the union was ready to press their claim in such a case is itself significant.

Perhaps the best example of all the "make pay" cases is No. 421.¹⁰ An engineer and fireman had been called for a "turn around" trip between Moncton and Springhill Junction. As a result of a breakdown on the line they were required to take a relief engine out to the train which was being held up and after that were ordered on to Halifax where they were relieved. The railway company tendered pay for 110 miles, of which 100 miles was for road service and 10 miles for the initial and final terminal arbitraries. This would suggest that the service was completed within eight hours and certainly, at the outside, in less than nine. The men applied for a total of 458 miles, which equals over 4½ basic days' pay. Their claim was sustained by the Board.¹¹

Among the "make work" cases, No. 163¹² is distinctly interesting. The company had a self-propelled steam crane upon the main line. It was placed in charge of a conductor. The employees contended that it should be classified as a work train. Therefore, as a work train it should, according to the schedules of both the conductors and the trainmen, have, not only a conductor, but two brakemen as well. The company claimed that it was not a train, that any section foreman who had passed the required tests on the operating rules could be

⁷ *Ibid.*, XXXII (1932), 1163.

⁸ *Ibid.*, XXVII (1927), 1043.

⁹ *Ibid.*

¹⁰ *Ibid.*, XXXIV (1934), 14-15.

¹¹ The rules under which the decision was made, No. 40F on the Engineers' Schedule, No. 40G on the Firemen's Schedule, reads as follows: "Men assigned to regular runs will be entitled to any engine placed on the run; except in case of engine failure when they will follow their engine to terminal." *Rates of Pay and Rules Governing Service of locomotive Engineers, Canadian National Railways, Steam Lines East of Armstrong, etc.*, effective September 1, 1929. It is difficult for an outsider, even when he has knowledge of the rule, to understand how it can have been made to justify so large a payment.

¹² *Labour Gazette*, XXIII (1923), 1077.

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used with perfect safety. It had been given to the trainmen for one reason only, namely that there were a number of spare conductors available and the superintendent preferred to give it to the senior available man. No attempt to justify any need for two additional trainmen appears in the record, but the Board upheld the claim of the employees.

Of the same general order is the provision that "regular way-freight trains will not be double-headed except (1) where there is but one freight train each way daily, and (2) in cases of storms in which event the tonnage will not exceed the rating of the largest engine attached."¹³

The result is, of course, to increase the number of trains and therefore the number of conductors and trainmen employed¹⁴.

If a yard crew is used beyond yard limits it is paid at road rates for the road work done with a minimum of one hour for such service and is also paid for the yard work which it was thereby unable to do.¹⁵ Similar rules are made against the use of a road crew within yard limits. The effort there seems to be toward its total prohibition rather than toward the exaction of extra payment for it. The governing rule seems to be in the trainmen's schedule and reads as follows: "Switching transfer, and industrial work, wholly within the recognized switching limits will, at points where yardmen are employed, be considered as service to which yardmen are entitled but this is not intended to prevent trainmen from performing switching incidental to their own train or assignment."¹⁶ That ruling was applied in Case No. 423 to ¹⁷ prohibit the road crew from doing any such work at Allandale. The yard at that point is not big and it is permissible to surmise that enforcement may have resulted in the use of an additional yard crew with its attendant increase in expense.

It is further provided that in "turn-around" service, the maximum run in any single trip shall not exceed 80 miles in passenger service,¹⁸ or 25 miles in all other services.¹⁹ The result is that it is very hard to offer service on many branch lines without paying at least two full days' pay for every calendar day of service. An example of the operation of this rule is given by Case No. 464²⁰. The date is 1937. On the Pine Falls branch of the Canadian National a mixed train leaves Pine Falls daily, except Sunday, at 8 a.m., and arrives at Winnipeg, a distance of 70 miles at 11.20 a.m. This is an assigned service and no further duties are required of the crew until they report for the return trip which leaves Winnipeg at 5 p.m., arriving at 8.20 p.m. It is therefore a long working day, but with a very considerable block of free time in the middle of it. The conditions, otherwise, are not arduous. This is one of the lines which is shown by the Report of the Royal Commission to Inquire into Railways and Transportation (1931-32) to be of a very light density.²¹ The company tendered payment on the basis of "actual miles between Pine Falls and Winnipeg Terminal with terminal time consumed at Pine Falls in either direction and actual working time in Winnipeg Terminal."²² That basis produced a payment

¹³ *Schedule of Rates of Pay and Regulations Governing the Service of Conductors, Baggage-men, Brakemen and Yardmen*, Canadian National Railways, Atlantic and Central Regions, effective June 1, 1929, Article 34 (c).

¹⁴ As an example of the enforcement of this rule, see Case No. 371, the *Labour Gazette*, XXXI (1931), 279.

¹⁵ *Rates of Pay and Rules Governing the Service of Locomotive Engineers*, Canadian National Railways, Lines East of Armstrong, etc., Article 8M.

¹⁶ *Schedule of Rates of Pay and Regulations Covering the Services of Conductors, Baggage-men, Brakemen and Yardmen*, Canadian National Railways, Atlantic and Central Regions, effective June 1, 1929, Article 140.

¹⁷ *Ibid.*, XXXIV, 14-16.

¹⁸ *Rates of Pay and Rules Governing the Service of Locomotive Engineers*, Canadian National Railways, Lines East of Armstrong, etc., Article 2B.

¹⁹ *Ibid.*, Article 7A.

²⁰ *Labour Gazette*, XXXVIII (1938), 491-92.

²¹ Cf. the density map in the folder of that Report.

²² *Labour Gazette*, XXXVIII (1938), 491.

of 204½ miles per day, or more than two basic days' pay per calendar day worked. The employees' however claimed that they should be paid on either one of two bases:—

- (a) the minimum day of 100 miles for each trip plus time working or delayed at each terminal, or
- (b) on the basis of actual miles between Pine Falls and Winnipeg in each direction plus terminal time at Pine Falls, plus all the time at Winnipeg.

The contention of the employees was sustained by the Board. The record does not show how much that would amount to. Subject to correction, it is suggested that it is somewhere in the neighbourhood of 250 miles or 2½ days' pay.

Mention should also be made of the rules for the classification of trains. Way freight service is compensated at higher rates than through freight and rules of an almost unbelievable complication are provided for determining the exact combination of stops and/or switches which may be made before the way freight rates apply.²³ Similarly, when a freight car is added to a passenger train the pay of the train crew is put upon a through freight basis, not upon a passenger train basis.²⁴ The result is to increase the rate of pay per mile for conductors from 4.72 to 6.25 cents per mile or by 32.4 per cent, and of trainmen from 3.18 to 4.91 cents or by 54.4 per cent. Correspondingly, the Engineers' schedule reads: "Road engineers performing more than one class of road service in a day or trip will, except as otherwise provided in Article 32 (a), be paid for the entire service at the highest rate applicable to any class of service performed with a minimum of 100 miles for the combined service. The overtime basis for the rate paid will apply for the entire trip."²⁵

Nothing has been said above concerning the so-called arbitraries or constructive allowances. These are payments for work which once was and is no longer required and are in addition to the payments for the mileage run. For example—engineers and firemen are paid 30 minutes initial preparatory time and an additional 30 minutes as final inspection time.²⁶ These are purely arbitrary allowances which were adopted originally as a means of increasing the effective pay without changing the nominal mileage rates.²⁷ Upon the average, they increase the earnings of the employees in these classes by some 11 per cent over what they would be on the time or mileage basis.²⁸ Comparison of that figure with the one for these payments shown in table 2 above will show that these arbitrary payments in Canada are well over twice those paid on American roads.

The assignment of work within this field is strictly upon a seniority basis. The men with the longest service record take the assigned runs, those junior to them work on a first-in, first-out basis but with provision to increase (or diminish) the number eligible to be called as the average mileage exceeds of falls below established maxima (or minima). During the seasonal lulls in traffic, there are therefore men who are totally without work. It is a system which is imposed by the men themselves. So far as can be seen from the available information, the

²³ Rates of Pay and Regulations Governing the Service of Conductors, Baggage-men, Yardmen, Canadian National Railways, Atlantic and Central Regions, Article 18. This Article with its examples, runs to approximately three pages of fine print.

²⁴ Rates of Pay and Rules Governing Service of Conductors, Canadian Pacific Railway, Eastern Lines, effective July 16, 1929, Rule 2.

²⁵ Rates of Pay and Rules Governing Service of Locomotive Engineers, Canadian Pacific Railway, Eastern Lines, Article 2 (i), Article 32 (a) provides for special and additional payments to through freight or mixed train crews when the train is delayed to load or unload way freight.

²⁶ *Ibid.*, Articles 2 (d) and 2 (f). The provisions of the Canadian National schedule provide for the payment of final terminal delay as well as for inspection time, but the latter is reduced to 20 minutes. See Rates of Pay and Rules Governing Service of Locomotive Engineers, Canadian National Railways, Articles 7C and 7E.

²⁷ Cf. the testimony of Mr. James Murdock, Proceedings of the Board of Conciliation and Investigation (Mr. Justice Gibsons, Chairman) I (April 4, 1933), 92-96.

²⁸ Introductory Statement of the Railways to the Board of Conciliation and Investigation (Mr. Justice A. K. Maclean, Chairman), Mimeo. 1936. p. 8.

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position of the railway companies is that they are ready to assist in the enforcement of any such regulation provided it does not directly increase their costs. Such a system of distribution of opportunity to work cannot be condemned so long as depressions are short and the basic trend of the industry is toward expansion; but if either of those fails, the burden falls entirely upon the junior man. Since 1926 the trend of employment has been markedly downward. At 1937 the average number in employment in these classes was only 77·2 per cent of the number at 1926. As a means of easing the burden, the senior men did for a time make reductions in their maximum mileage so as to distribute the work more widely,²⁹ but those reductions have since been cancelled. The possibility of a conflict of interest between the senior and junior employees should, therefore, not be overlooked. As things now stand, those who are out of employment altogether are totally unrepresented in the matter. The decision is made by those in employment and therefore capable of retaining their voting power. It is a situation in which the senior men might, if they consulted their own personal interest only, arrive at decisions which would be not only against the national interest, but against the interest of the whole body of train and engine service employees. It is suggested that certain features of the present situation are consistent with the situation to be expected if that were the case.

There is one further aspect of this matter which is deserving of special attention. The railway lines of this country are not of equal value. The only survey of them which is available to those not in railway employment is that reported at pages 32-38 of the *Report of the Royal Commission to Inquire into Railways and Transportation in Canada (1931-32)*. It is there shown that at about 1930, some 9·6 per cent of all the line mileage was of relatively heavy density, having 2,750,000 net ton miles or more of traffic each year per mile of line; about 48·5 per cent was of medium density having from 250,000 to 2,750,000; and 42 per cent were light traffic lines with less than 250,000 net ton miles per mile of line per annum. Railways are magnificently effective as carriers of heavy tonnages over the longer distances and it is probable that the lines of the first class could support a wage structure even higher than that now in effect. Train service is more frequent and therefore it is possible to avoid some of the excess payments. The net result is to give pay out of all relation to the earnings on equivalent skill and responsibility in other occupations and to give unusual amounts of leisure time as well. But that is supportable, as I say, on account of the unusual earnings on those lines with heavy traffic. But as we come down the scale in density these payments to labour become more difficult to bear and in relation to the third class it forms a crushing burden. It is quite possible that those lines with the least density, which have negative earnings, at best, or no earnings at all, may be paying the highest rate per month to those who are on them, because only one train moves per day; that the tendency is to have the rate of payment vary inversely with productivity.

From the national standpoint the present position is anomalous in the extreme. These light-traffic branches are in place. The capital in them is sunk. If the railways can earn enough to keep those properties in repair, they will continue to operate them as feeders to the main lines even though they are unable to earn anything directly from their operation. But because the traffic is thin and the costs of train operation so high, service is reduced, so discouraging what traffic remains and directly encouraging the building of high-ways and the movement of freight over them. Under the very best of circumstances, the continued existence of the 42 per cent of all mileage which

²⁹ That movement gave employment to men who might otherwise have been without it, but it did nothing to reduce the cost to the railroad. Therefore, in so far as high direct wages costs were a reason for a reduction in train-mileage, this was no solution at all.

lacks tonnage is open to question.³⁰ When such lines are deliberately weighed down by extremely restrictive rules which combine to reduce the value of the service given and to increase the cost of it, their position becomes hopeless. It need hardly be added that this is a problem of very deep concern to the employees as well as to the nation at large.

The discussion above has not been at all exhaustive, but it is taken as providing adequate proof that these agreements are obsolete in their construction, capricious in their action, and unbearably restrictive in their effect upon the service rendered. That statement is not in any way dependent on the distress of the railways since 1928. This situation has been developing progressively for a great number of years. Nor is it dependent on the rise of motor competition over the last two decades. Motor competition and the decline in the volume of traffic for other reasons, have together precipitated the problem. They make it necessary to meet it now because it cannot be put off any longer; but it existed before they became important.

Historically, the problem can be condensed into the following statement—that in the years of their development the railways had a practically complete monopoly of land transport and that their net returns were then distinctly generous. Believing that those excess returns were permanent, the management were willing to share part of them with their employees. Those in train and engine service, because of their unique bargaining power, were able to appropriate a much larger share of that excess than their numbers would justify. The events of the last twenty years have stripped the railways of most of their monopoly power and profits but, up to the present time, these employees have been able to force other claimants upon the industry, and the general public, to bear all the burdens and have themselves gone scot-free.³¹ The arguments which they have advanced before successive boards of conciliation, show that they consider that they have a perpetual right to the wages and conditions given them during the railway's hey-day.

Positively it is not proposed that anything be done drastically or without full discussion. Nor is there any reason why these employees should not continue to be unusually secure in their employment and to be generously compensated; what is asked is not a total overturning of their present position, but a surrender of those parts of it which the uncontrollable forces of change are rendering daily more vulnerable. These employees were relatively stationary in numbers over the years 1912-28 and have been declining since then. As a result there is a very heavy concentration in the upper age-classes. Very substantial changes could be introduced over the next five years without any serious disturbance to the established expectations of those now in employment.

Thank you, sir.

By Mr. Biggar:

Q. Your concluding memorandum deals with the men in the road service only, I gather?—A. The examples have come mainly from them because it is their disputes that I have been able to reach. They are all governed by the one set of schedules, that is, both road and yard, and the men move from the yard to the road services. It is a homogeneous employment.

Q. They would form only a proportion of the total railway employees, would they not?—A. The total of yard and road employees is some 14·6 per cent of the total number of employees in 1937, and they draw 21·8 per cent of the total payroll.

³⁰ *Ibid.*, para. 102.

³¹ It is true that some 20-30 per cent of their number have been forced out of employment altogether, but that can hardly be advanced as a reason for continuing the present position of the remainder.

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Q. That would be just the running unions, would it not?—A. That is the total road and yard. For the road employees only they are 10·6 of the total, and they draw 16·5 per cent of the total compensation.

By the Chairman (Hon. Mr. Beaubien):

Q. What is the first thing mentioned?—A. The total road and yard employees are 14·6 per cent of the total number at 1937, and they draw 21·8 per cent of the total compensation.

By Mr. Biggar:

Q. Would any of the remarks that you have made apply to yardmen, the engineers?—A. Not to the same extent, because on the whole they work upon a time basis; but in any case where they are called beyond the yard limits, yes, they draw double pay, pay for the road work they do for the minimum hours, and also for the yard work they did not do.

Q. That would be, comparatively speaking, negligible in money, I imagine?—A. Yes. The management would do its best to hold that down, but you are restricting the freedom of the management to apply labour effectively and intelligently.

Q. Taking it from a money point of view and restricting it to the 14·6 per cent of the total number of employees and the 21·8 per cent of the total pay, is it possible to form any idea of the total amount involved?—A. Yes, sir. In 1937 these men drew \$42,222,000 of wages.

Q. That is the 14·6 per cent?—A. Would you prefer that I work solely with the road employees?

Q. I was trying to find out how far the yardmen came into it at all. I gather from what you say that the yardmen really only come into it in that exceptional use on the road and that, practically speaking, these road regulations have almost never to be applied?—A. Yes, sir.

Q. So practically speaking, from the monetary point of view, cannot we take it that we are dealing with the 10 per cent and the 16 per cent?—A. Yes, sir.

Q. What does the 16 per cent equal?—A. In 1937 they drew \$31,924,000 of money.

Q. Do you think it possible to form any idea at all of the extent to which that might be reduced if there was an ordinary rate of pay applied? I mean without these exceptional rulings?—A. Anything that can be said, sir, would be best said by someone in railway employment who can classify trains, but I think there would be an economy possible of not less than 20 per cent.

Q. I do not know whether I am quite clear on how you say this affects the service actually given on the railways. Does it affect the number of trains, the capital investment, or what is it?—A. It seems to me it works in two ways: you have this very powerful encouragement to the management to limit the number of trains to the absolute minimum; second, you have pressure upon them to make capital investments which otherwise they would not make. Take the case of Huntsville: it would cost a certain amount of money to put in a Y. It would be cheaper with only two trains a year—

Q. A day?—A. No, I think two trains in a year. If I can make a surmise, for the July and August holidays you have to run very heavy trains, and this necessitates engines that you cannot turn on the turntable. Twice a year you have that condition. The intelligent thing is to send the engine to Scotia Junction and turn it on the Y there, which means fifteen miles up and back, a short run, and it is done very easily.

By Hon. Mr. Parent:

Q. It would make a very heavy profit on those two days?—A. Yes, sir. But don't you have to carry the dead times on those two days as well, days when

you are giving service and not getting travel? I ask you to look at that downward drift of 6 per cent on the passenger service. At 1930 you have \$89,894,000 of passenger revenue. At 1937 you have got only \$38,894,000. Now, while there has been some reduction in the number of trains since 1930, the reduction has not been as rapid as the reduction in travel. The revenue per train mile and the number of travellers per train mile have both gone down.

By Hon. Mr. Calder:

Q. What surprises me, Mr. McDougall, in your statement is that we have that board, to which you have referred, created somewhere around 1920. Ever since they have had many appeals reach them on questions such as you have referred to, and I think with the exception of two cases you referred to, the six railway managers sitting down with the six railway employees have agreed that the railway employees' contentions were correct, and they were granted.—A. Yes, sir. I think I have an explanation for that. It is a board to interpret agreements which have been made. That is, its function is not to tell the management what to do, but merely to make an interpretation. If you ask me why the management has agreed to this, I think I understand it. I cannot prove it but I have my own guess, and that is, the power of these men is so great that it is easier to let the sleeping dog lie than stir him up. It is not that they approve of these things, but they are afraid of the consequences of stirring up trouble. I think if there were a reasonable public attitude to the situation the railways' hands might be strengthened.

Q. Probably the public does not know anything about it.—A. I think not, sir. I think the *Labour Gazette* is a very useful publication and might be read much more carefully.

By Hon. Mr. Murdock:

Q. Mr. McDougall, you filed this table, No. 2. It shows compensation paid to road train and engine-service employees in 1937 as a percentage of the total paid to each class, class 1 steam railways of the United States. Would you care to give the committee what is the relative percentage difference between the wages of men employed on class 1 steam railroads in the United States and of those similarly employed in Canada?—A. The nearest I can reach, sir, is that the wages in Canada fall perhaps between 10 and 13 per cent—I am sorry, that is the total annual earnings, which is the only figure I could reach—between 10 and 13 per cent below the United States. But against that it must be remembered that the capacity of the American railroads to pay wages is very much higher. The density of traffic, averaging the fifteen years from 1921 to 1936, was exactly double. Expressing Canada as 100, the density in the United States was about 204, and in relation to passenger traffic it was just about 202. So that there is a capacity to pay wages there which is not present here.

Q. According to the information we get, they are in just as hard luck with their railways as we are?—A. That is what I wonder, sir, whether they still are being operated without Government subvention and whether the fact that their distress is so great may itself be a proof that these things ought to be changed there as well as here.

Q. If we had adopted in Canada the principle that was adopted in the United States, of scrapping certain roads and letting certain roads go into the hands of a liquidator when they became obsolete and out of date, would we have the trouble we are confronted with right now?—A. Yes, sir. That makes no difference to my position, because in relation to your dense lines you are paying very heavy monthly and annual wages, and giving a great deal of leisure time as well.

Q. The point is this. If many of those roads had gone into the hands of the receiver, we would have been relieved of the millions of dollars that are
[Prof. John L. McDougall.]

paid every year, and that will continue to be paid, on account of those roads—for instance, the holdings of the Canadian Northern and the Grand Trunk Pacific. In the United States would not they have gone into the receiver's hands and thus not have obligated the Government?—A. No doubt they would, but would it make any difference? The situation would still rule that you are paying these men more than is required upon a time basis.

Q. It would not have made any difference to the men's wages?—A. None whatever.

By Mr. Biggar:

Q. Why is it that this method bears more hardly on the light traffic line than on the heavy traffic line?—A. If you have a fixed crew of not less than five men, and run four cars, your cost per car—the Federal Board of Transportation in comparing way freight with through freight found the cost per mile in through freight was about ten cents; the average on the way freight was thirty-four cents. If you compare a main line eighty car train with something on a back branch of four cars you get an extraordinary difference.

Q. With the same crew?—A. You may possibly have one more man on the eighty car train.

Q. Would speed also enter into that?—A. Speed would come in this way, sir, that the fastest freight between Brockville and Montreal goes through in two hours and fifty minutes. The payment is made for one hundred and twenty-six miles plus the terminal arbitraries, which means that for something under four hours of time on duty a man is drawing pay for not less than ten hours, and probably more.

Q. In other words, he is getting paid for twice the time he works at what is set as an appropriate time scale?—A. Yes, sir.

Q. And in the case of the conductor who has to be reduced by reason of speed to thirteen or fifteen days work a month, it is the same sort of thing?—A. He is drawing very high money per month, and is drawing a simply startling amount of leisure. He is working every other day, but between forty-eight and fifty-four basic days.

By Hon. Mr. Calder:

Q. Does that train between Montreal and Brockville stop at Brockville?—A. Yes, sir.

Q. Why does not the company arrange to have it return immediately to Montreal and give a man a day's work?—A. In the passenger service the engineer is paid one hundred and eighty miles.

Q. Why does he not go on another distance?—A. He would be paid still upon the mileage basis. It is one hundred and twenty-six miles, and he is paid for one hundred and eighty.

By Hon. Mr. Murdock:

Q. Now, tell me what would happen if there was a breakdown or a snowbank at Prescott causing delay of four or five hours?—A. After you pass eight hours you go on time and a half.

Q. But what about this passenger car if they were held up?—A. The engineer's overtime would commence at five hours, and the conductor's and brakeman's at seven hours and forty minutes.

By Hon. Mr. Robinson:

Q. You have pointed out something that you think needs to be remedied. Have you any suggestion as to the way in which it should be done?—A. I am perfectly willing to believe that one hundred miles was a reasonable day's work

in 1890, but what I am suggesting now is that the men and the management sit down with the aid of a psychologist or anyone else to work out what should be a reasonable day's work to-day in passenger service.

Q. You leave it to the men and the management?—A. Yes, sir.

Q. Does that twenty per cent reduction apply equally to the rest of the employees?—A. Oh, no, sir. These are the people who have been able to freeze their rate of pay in accordance with an outmoded scale of a public utility.

Q. Unification, then, would not be the remedy?—A. It may be; but when you have unification there would still be the same problem.

Q. The problem would be still there?—A. One of the reasons why, if I were a senior man in this service, I would want unification, would be that there would be perhaps savings there which I could collar by continuing this obsolete system.

Q. Unification might help the senior men?—A. Yes.

By Hon. Mr. Horsey:

Q. It would aggravate it?—A. It would aggravate insofar as the normal passage out of the system would speed up; but if it was any good it would produce additional earnings.

By Hon. Mr. Murdock:

Q. Is it your position that the labour organizations have been dictators and have dictated these rates and conditions, which you hold are abnormal, and that there should be another form of dictation?—A. May I say, sir, they have been tactfully magnificent. Strategically, I think, they have run against their own interest. In the short run your service is pretty well a fixed thing, and if you can raise the pay and make the conditions more onerous, the railways will pay up. But in the long run wages are considered as a cost before they can become income, and for the long run you make capital expenditures which permit you to avoid payments to labour. Therefore in the long run the result has been unfortunate, peculiarly with the junior men.

Q. Would it influence your view if I told you that I had been a brakeman on a freight train on a division of one hundred and fifteen miles, for which I was paid \$1.25 on an average, and that because of delays I worked forty hours?—A. Yes, sir, it does, because I think that no doubt in the early period there were many things which management did that were definitely unwise. I think the unions began, quite properly, to control that; but they have allowed that to continue to the present, when that situation no longer rules, and it is destructive of the—

Q. Have you ever read *Crowded Years*, by W. G. McAdoo?—A. Part of it.

Q. Did you read what he said about railroad men's wages prior to 1918?—A. Yes, sir.

Right Hon. Mr. MEIGHEN: I thought it was the weakest part of the whole book.

By Right Hon. Mr. Meighen:

Q. Mr. McDougall, referring to the statement that if we had allowed the railroads to go into liquidation we would have avoided these problems: if a railroad goes into bankruptcy it either closes down or is operated by a receivership?—A. Yes, sir.

Q. And if it is operated by a receiver the employees continue, and if there is difficulty paying them it can be done by receiver's certificates?—A. Yes, sir.

Q. So, if that were the case, if it closed down, of course the men would be out of work. But if it were run by receiver's certificates, it would mean there might have been an opportunity of continuing the business at the expense of the capital invested in the railway.—A. That has happened.

Q. And the same might occur in the States?—A. Oh, yes.

[Prof. John L. McDougall.]

Q. Could you tell us what percentage of the railways of the United States are solvent to-day?—A. I am sorry, sir, I cannot. I think it is in the order of sixty per cent.

Q. But those sixty per cent have been assisted by loan subventions?—A. First of all you have had the Reconstruction Finance Corporation offering loans, and second advances in freight rates. Now, it is just barely possible that advances in freight rates in the United States were justified; but clearly, I think, having regard to the distress of Canadian export industries nothing of the kind is possible here. Therefore our own rate changes are in the nature of scaling down rates on the higher commodities in order to meet motor competition, and the distress of the raw material producers is so great that you cannot raise rates on the low grade commodities.

Q. But the United States has never followed the policy of keeping their railways out of liquidation as far as possible by loans at low rates.—A. Yes, sir.

Q. What has occurred there is pretty much a parallel of what has occurred here, speaking in the large?—A. It is a little bit worse. They have turned down a bit earlier and have gone down a bit further, and having regard to the fact that this country itself usually follows them with a five year lag, I think things look pretty black.

Q. You say they have gone down further. In proportion to population and traffic they have much less mileage.—A. There is twice as much traffic there per mile of line.

Q. In view of the fact that they have double the traffic that we have, and have gone still further down the hill, would you say that that was due to our having fewer systems?—A. I don't think so, sir. I do not think it is a cardinal fact.

By Hon. Mr. McRae:

Q. Professor McDougall, did I understand you to say it was impracticable to advance rates in this country?—A. I would think it very doubtful. I will put it this way, that taking 1926 roughly as a base, our general wholesale price index is now 73.3, the index of Canadian farm products prices is 64.8, and of field crops it is only 54.7. Now, the case that is most open to criticism is the Crow's Nest rates, but in the face of the present price of wheat what chance is there to lift those rates? I would think that even from the narrowest interest of the railways themselves, they might want to leave them as they now are.

Q. Is this a fair statement, Professor, that our present rates do not pay the cost of transportation?—A. Yes, I think so.

Q. If that is the case and they cannot be raised, how are we ever going to set things right?

By Hon. Mr. Calder:

Q. Before you answer that, let me put this side of the case. The producer at the present time has a tremendous struggle to keep in existence. If you increase the cost of his hardware and lumber and furniture, and the cost of shipping his goods, he will have a much harder struggle to exist.—A. May I put it this way, sir, that if you cannot raise the price at which you sell, you have to reduce the cost of performing the service. And that is exactly what I have been talking about that here is an important cost and that it ought to be reduced. I have not touched at all the fact that all railway employees are now back on the full 1929 rates of pay, despite the fact that the general wholesale price index is down to 73 per cent, and that the cost of living is 83 per cent of what it then was, and despite the extreme burden which is put upon raw material producers. The raw material producer is exposed to international movements and he cannot save himself. These railway people get themselves barricaded behind agreements and manage to stay there. Except for a short period in 1923, about six months, their

maximum reduction from the basic rates of pay was 15 per cent; in that six months period it was twenty per cent. Since the spring of 1938 they have been at the 1929 rates.

Q. That is the high rates?—A. At the highest rates they have ever known, yes sir. Now, it seems to me that there is something peculiarly anomalous in a country like this trying to guarantee high rates of pay per hour and per day to the sheltered workers and to pay those high rates to a constantly diminishing number when you have such a pressure on the total labour market.

By Hon. Mr. Hugessen:

Q. You say that the long range result of that policy is to reduce the total number of employees in the industry?—A. Yes sir.

Q. In favour of a small and highly paid number, at the top?—A. A small and highly paid group at the top.

By Hon. Mr. Robinson:

Q. Or, to put it another way, high wages cause unemployment?—A. Yes sir.

By Mr. Biggar:

Q. It is not only high wages to those men at the top, but high wages to those employed men when employed only half the time?—A. Yes.

By the Chairman (Hon. Mr. Beaubien):

Q. If the high wages paid to railway employees were reduced in the same proportion as the cost of living was reduced from 1926 to to-day, how much money would be saved to the railways, 20 per cent?—A. Yes, fully 20 per cent. That is, if you made a reduction of that kind it would be 20 per cent of \$193,000,000.

By Right Hon. Mr. Meighen:

Q. But your indictment, Professor McDougall, is not so much against the scale of pay per hour as it is against the structure and the method of employment and the artificial rules?—A. I have felt two things, with regard to those employees only, that the whole structure is basically unsound, totally obsolete, and that therefore I could properly say that here; but as, shall I say, a footnote to my main position, I add the other one, which is applicable not only to those employees but to all railway employees, and indeed generally to a great many different kinds of employment, my own and the Civil Service included, because you have in a great many places, not merely on the railways only, come back to the 1929 level in the face of a fallen cost of living.

By Mr. Biggar:

Q. You are not able to speak about other classes of railway employees, I imagine?—A. No sir, not directly. That is, I prepared myself specially upon this.

Q. There are numerous classes, probably the vast majority of the remaining employees, who are employed at ordinary daily or monthly rates?—A. Yes sir.

Q. The figures that you have given us are those from page 34 of the Statistics of the Steam Railways of Canada for 1937?—A. Yes sir.

Hon. Mr. PARENT: Is that a Government publication?

Mr. BIGGAR: Yes, it is a Bureau of Statistics publication, for 1937. Perhaps the Committee would like to have the numbers of the classes that are in question, and the amounts that they respectively received. I will prepare a little schedule on that and add it to the record.

[Prof. John L. McDougall.]

Hon. Mr. ROBINSON: Would you include in that the amount paid for supervision, or management, to officials?

Mr. BIGGAR: I am afraid that cannot be done.

The WITNESS: I think, sir, at pages 32-3 you could get that.

Right Hon. Mr. MEIGHEN: You should have asked that when they were here.

By Hon. Mr. Robinson:

Q. When the labour men are arguing that their wages should be high, they point to the officials. I was wondering what the amount paid to officials is.—A. The total for executives, general officers and assistants is \$3,800,000, and for division officers, \$3,087,000.

Q. That is about \$7,000,000, the whole thing?—A. Yes.

Q. Is that for one railway?—A. No sir, that is for the steam railways in Canada.

Q. So it would not be very big, anyway?

Right Hon. Mr. MEIGHEN: Still, it is an example. That is its effect.

The WITNESS: May I put it this way, that your average return to the average officer is \$3,356 per year; whereas, if I am correct, your senior engineers are making about \$4,000 or better, at fifteen days work per month.

Mr. BIGGAR: I can include in that schedule also the average rates, unless the Committee would like to hear them now. I can give them now.

By Hon. Mr. Haig:

Q. There is one question I should like to ask Professor McDougall. This reservoir of unemployed labour in the running trades on the railways does not apply to any other class on the railways?—A. Oh, yes sir. There are...

Hon. Mr. MURDOCK: Shop crafts.

The WITNESS: In the shop crafts the same thing happens. And there was a case in the Labour Gazette recently of the men working under the railway on the docks in Montreal, and it came out in the same case that there is the same fluctuation for freight handlers in the big terminals.

By Hon. Mr. Haig:

Q. Have you any suggestion—this is a question that has worried me a great deal—as to what the railways could do to meet that situation?—A. No sir. I just do not think it is possible. It is one of the consequences of our situation. The grain has to be moved when it is moved, and there is no other way around it. The fluctuations in traffic happen. And while some small changes can be made, they will not be great and they will depend mainly upon changes in the people who provide the freight rather than upon the railway.

By Hon. Mr. Calder:

Q. The same fluctuations exist in other fields of labour. The carpenter, the bricklayer, the mason, the plumber, all these people are affected by very great fluctuations?—A. Yes sir. Our seasonal movement in this country is heavier than in other countries, just because of our climate.

By Mr. Biggar:

Q. Will you explain to us a little more fully how the depression affects the personnel employed at the time it begins?—A. Well, at the initial point you have your senior men taking assigned runs, making their maximum mileage and then signing off till they begin a new month. If they are high enough up on the seniority list they will not be affected in any way by the depression, except through the indirect effect of having their real earnings increased by a

falling cost of living or by having their money earnings reduced by having the basic pay changed. That is, generally speaking, they will be like people on salaries, who are on the whole benefited rather than hurt by a depression. The men at the bottom of the list will just pass off it altogether. In the passenger engine service you have a pool, and when the average mileage per month falls below 4,000 you drop men; when it gets above 4,800 you add men. In freight, it is between 3,200 and 3,800. So that the weight of the depression is something that falls on the junior men entirely. That is qualified to the extent that the senior men as an act of grace give up mileage, which they did do between 1932 and 1936-7. But those concessions of mileage were never more, in their effect on the official statistics, than just about enough to balance the increase in real income by the fall in the cost of living.

Q. Carry that a little further. There are two groups: the road passenger engineers and the road freight engineers. What happens to the junior men on the road passenger engines in the case of a depression?—A. I think it works this way. I speak here subject to correction. It is a terribly complicated business, and the schedules are drawn not in a fashion that lets an outsider see them easily. You go first from road passenger down to road freight, then to yard, and then out. But I think you can move between the road classes and the yard class only about twice a year, as the schedule changes. That is, if you fall at the end of the road freight list you would have to wait till the general time-table changes before you could get into yard service. But I speak subject to correction.

Q. Speaking generally, a conductor, for example, would go down to brakeman?—A. Yes sir.

Q. And a road passenger engineer, to road freight engineer, and from that, I suppose, to fireman?—A. Yes sir.

Q. Passenger fireman first and then road freight fireman?—A. Yes sir.

Q. And it is the fellows at the bottom of the whole list, after that readjustment has taken place, who are out of employment?—A. Yes sir. The whole thing falls on them finally.

By Hon. Mr. Calder:

Q. You referred to the fat lines and the lean lines, and you pointed out the discrepancies that exist between, not the earnings, but—A. The traffic volume in ton miles per mile of line.

Q. Yes. You referred to the same wages being paid where the earnings were small as those paid where the earnings were large.—A. Yes.

Q. Do you suggest there should be a difference in the schedule of wages in the case of the fat lines and the lean lines?—A. It is this question, sir. When you had a complete monopoly it was quite possible to do almost anything you liked, but at the present time, if you have a branch line that is opposed to trucks and buses, for how long can you maintain a high scale of wages and a five-man crew against a truck, where one man is willing to work ten or twelve hours and for very much less money and be as obliging as he knows how?

Q. But you have to continue the work because the Board of Railway Commissioners will not let you stop.—A. Yes. But some day the Board of Railway Commissioners may realize there are trucks on the road.

Some Hon. MEMBERS: Oh, oh.

By Hon. Mr. Calder:

Q. In your opinion who would have to deal with this question, the Federal Government, the provincial Government, or the railwaymen and the employees?—A. If the railwaymen would raise it I think it is their proper function, but if I may quote from Mr. Gerard Ruel's comment before the Duff Com-

[Prof. John L. McDougall.]

mission when he was asked there whether there was not ground for a general reduction on account of the change in the cost of living, and so on, he gave certain answers. I will read Mr. Commissioner Loree's questions and Mr. Ruel's answers:—

Commissioner LOREE: When you get through with your five-year effort and everything, you save about \$30,000,000?

Mr. RUEL: Per annum.

Commissioner LOREE: Yes. Why don't you reduce wages 15 per cent and save \$36,000,000 overnight?

Mr. RUEL: I wish we could.

Commissioner LOREE: Why not?

Mr. RUEL: As far as the Government railways are concerned, we would be ordered to cancel that in twenty-four hours. . . . The C.P.R. might do it; we could not. We would not receive any support at all, we would be blackguarded all over Ottawa. We would not dare to go on the streets, we would be chased out.

By Right Hon. Mr. Meighen:

Q. What page is that?—A. Page 2254, sir. How the railways' hand can be strengthened until they can take reasonable action on this matter, I do not know, but my effort this morning is directed towards that end.

By Hon. Mr. Calder:

Q. We have got to make a report, though. Do you want us to report that the railway companies should take this matter up?—A. Yes, sir.

Q. Not the Federal Government?

By Hon. Mr. Parent:

Q. They have the last decision in the matter just the same.—A. It is a matter for consideration by the railways, certainly.

By Hon. Mr. Robinson:

Q. The management, I suppose, have not the power to-day?—A. Shall I say they have the power to propose, but if the unions dissent, I think it must be a matter of agreement.

Q. What you really want is to hold some sort of prayer-meeting to convert the unions?—A. Yes, a prayer-meeting.

By Hon. Mr. Parent:

Q. You should get a guarantee that they will not resort to a strike.

By Hon. Mr. Calder:

Q. According to your own statement, the highest wages ever paid the railway employees was around 1929?—A. The same rates of pay per mile are being paid now.

Q. Yes. Notwithstanding all that has happened, the depression that has continued and the conditions that exist right at the present time, against the will of the railways the employees are back just where they were.

By Hon. Mr. Murdock:

Q. And the United States railway wages are 10 to 13 per cent higher as the result of a recent settlement. And, Mr. McDougall, do you know that Mr. Loree undertook to put into effect on his own railroad, the Delaware and

Hudson, the principles that he enunciated there, and that a strike of the employees changed his mind?—A. And I wonder, sir, if you are not proving my point.

An Hon. MEMBER: "We would be chased out of Ottawa."

By Right Hon. Mr. Meighen:

Q. Mr. McDougall, if the history is as you have disclosed it, there must be an enormous number of competent railwaymen throughout the country unemployed or half employed who could practically run the system?—A. Yes, sir, I would think that is probably true. The railroads could certainly answer the question, having their lists.

By Hon. Mr. Calder:

Q. Are you acquainted with how they deal with this question in Great Britain?—A. No, sir. This is outside the main field of my work at the university, and I have not made a study of the conditions in the United States and in England that I should like to make.

Q. Probably Mr. Murdock can tell us. I understand that when the railway companies amalgamated there the state set up a board of some kind to deal with the whole question of wages.

Hon. Mr. MURDOCK: In the United States?

Hon. Mr. CALDER: No. In Great Britain they set up practically what was a State board to deal with the question of disputes with respect to all agreements between the railway companies and their employees.

The WITNESS: May I add this, sir? I am not putting it forward as a proof of original sin on the part of the unions. They had unique power and they took what came from it. They have been able to shelter themselves behind the general losses of other classes when the railway earnings as a whole went down. But I think if you look for the motive rather than the consequences, it arises out of this continuous fall in the numbers employed, and that there is a very general fear to allow any change in these rules lest it may mean a reduction in those numbers. But if the industry is shrinking, as I think graph 1 shows, then clearly with nearly all your employees concentrated at the very top of the age group, you could make changes now rather than bring in new men at the bottom and then build up the expectations of those very high returns and have to break them later. It seems to me it would be much better to make the change as your railway forces change normally—normal attrition.

By Mr. Biggar:

Q. Instead of employing new men now at the present scale, you would change the scale but leave the men now in the service at their present level until they reach retiring age?—A. And if the men now running fifteen days were running twenty-two days, you would have a very great reduction in that case, probably 50 per cent in the cost per mile, and you could maintain them with the same very high monthly earnings they now possess.

Q. But by getting them to do a little more work?—A. Yes.

By Right Hon. Mr. Meighen:

Q. But is it not the case that the regulations are more at fault than the scale of wages?—A. Well, if you look over the rates of earnings coming to other people of equivalent skill, \$4,000 does seem an extraordinary return.

Q. Yes. But the regulation is compelling employment where employment really is not needed and this seems to me much more indefensible than the liberal wage?—A. Yes, I agree heartily.

[Prof. John L. McDougall.]

By Hon. Mr. Murdock:

Q. Mr. McDougall, would it be fair to ask you, what are the comparative rates of wages of professors in the United States and in Canadian colleges?—A. I don't know. I think, speaking generally, that the scale for the men at the top of the particular listing is double in the United States to what it is here. Coming down at the bottom, I think the scale might be about 30 per cent higher in the United States.

By Hon. Mr. Cote:

Q. Mr. McDougall, when you say that the present rates of railway employees are higher than equivalent pay, you mean to employees in other occupations?—A. Yes, I am speaking mainly of train and engine service.

Q. I am very much interested in your statement, because last year I asked early in our proceedings that some figure be supplied to us on that very point. I was told that our statistics department was unable to provide the information. So we went without that figure. Now you have made the statement, would you go into that in a little more detail and give the foundation for your statement, for the comparisons you make?—A. Based on volume 5 of the Census of Canada for 1931, sir, you can show that males earning more than \$2,950 are—I quote from memory—about 8 to 9 per cent of the total number earning wages. If you take in farmers and others who are operating on their own account, gainfully employed, it would mean, I think, people earning better than \$3,000 are less than 7 per cent. But I feel quite confident that engineers and conductors who run above that figure are not in skill at the top of the 7 per cent of the population scale. For the engineers it would probably be that in earnings they are in the top 4 per cent.

Q. But you did not compare them with any particular trade or profession outside their own?—A. I have not made that up.

Q. I do not know whether you have my point.—A. I think I have, sir.

Q. You take a trainman, did you compare his earnings for so many days' work a year with those of some person occupied in another trade, a street railway conductor, for instance?—A. There is no comparison at all there.

Q. You were asked about university professors a moment ago. It is an amusing question, but it is not a basis of comparison. I want a basis of comparison which is really warranted.—A. You are asking for specific rates, sir?

Q. What about the income of a street-car conductor compared with that of a trainman?—A. In the Grey Coach Line service operating out of Toronto, where the conditions are unusually favourable for motor-coach operation, the men work a ten-hour day and get about \$1,800 a year. So you can compare that, I think, fairly against a passenger engineer working fifteen days a month and drawing something like \$4,000.

By the Chairman (Hon. Mr. Beaubien):

Q. Fifteen days of eight hours?—A. Fifteen calendar days, which might be more than eight hours.

By Hon. Mr. Black:

Q. The rate of pay for these engine men and train men does not seem to be so high basically; it is the regulations and interpretations and conditions throughout that bring the total of the earnings to a very high scale, isn't it?—A. I would be inclined to say both, sir.

Q. Now, these are not fixed by law, but by some arbitrary rule made by the brotherhood, and agreed to by the management?—A. Yes, sir.

Q. Therefore there is no reason why the management of the two roads, in consultation, should not reduce or cut out these superfluities and get—
A. There is no reason whatever if they have the courage and the strength to face it.

Q. Now, these men in the railway trades are intelligent men, and they do as we all would do—they hold on to their high rate of pay as long as they reasonably can; and one reason why they do it is that the heads of the two railway systems have not been strong enough to meet them.—A. I think, sir, there is something else again. These unions are international unions, and the difficulty of breaking away is really very great. I think the situation is maturing in the United States in the same way it is here. For instance, in the report of the recent Emergency Board to the president—the Board was appointed on September 27, 1938—the railways of the United States made what I think was a rather unwise basis in asking for a reduction of pay. To quote from the final page:

Consideration of savings in labour costs could also focus upon certain problems that should engage the attention of management and men more openly than has hitherto been the case. These flow from regulations prevalent in the operating service that call for pay not commensurate with the amount of additional benefit rendered. Some of these regulations have been relaxed or dropped, but a frank candid inquiry as to their equitable nature could well be made the obligation of both management and men.

Q. Now, while these unions are international, that is only an argument. They do not control Canada in any way.

AN HONOURABLE SENATOR: Sure!

By Hon. Mr. Black:

Q. They do not control, except insofar as they are allowed to.—A. If you have an international union which is committed to a given situation, and it is under fire in one spot, and there is a strike there, and they assess and pay strike pay in this one small area, they can hold out for a long time.

What I am afraid you are getting at, then, is that there is no relief. If that statement is correct, these people are all-powerful, and not reasonable. I seems to me the management of the railroads in consultation with the men should endeavour to get an agreement. If wages, according to your figures—and they are very interesting—were reduced to a sound average wage, a high comparative wage, there would be a saving of \$30,000,000 or \$40,000,000 a year.—A. I think it very likely that while you would make savings on particular trains, you would then feel free to offer services at other places, and increase your train miles so that you would have a greater saving than the money saving would show. So I think there is a reason why the employees might be ready to consider this matter.

Q. I am assuming that they would be reasonable in a conference properly held. But if nothing could be done—let us assume that they would not agree to any re-adjustment—what then?—A. I think, sir, the railways have put a tremendous effort into having good relations with their men. The two large railways have departments of personnel which do nothing else. But when you perceive the kind of destruction that has gone on over the past twenty years, you will see that good will can be bought at too high a price.

Hon. Mr. DONNELLY: While I am not a member of the committee I am a member of the Senate—

Hon. Mr. DANDURAND: You are at home.

Hon. Mr. DONNELLY: Thank you. I wish to express my appreciation of the manner in which Mr. McDougall has given utterance to views held by many
[Prof. John L. McDougall.]

people. I have heard similar views expressed several times, but the difficulty foreseen is that if the railway companies attempt to make a change they will be met with a strike; that if the Government of the day attempts to remedy it they will feel the effect in the next election. These are two objections that I have heard most frequently in regard to any proposals made to remedy the situation.

Hon. Mr. BLACK: Of course that is the difficulty. We seem to be faced with the idea that there is a great field for economy and saving. But we are afraid to do anything. I wonder what would be the effect if the railways reduced wages anyway? Would it not be better to have a tie-up for six months or a year until we get settled?

The WITNESS: I question whether that railway strike would last six months to a year. Those who were forced out of employment have some kind of organization, and there is a reference to their offer to the railways to operate trains below the rates charged by the regular men. I would think, having regard to the rise of other means of transportation, a strike is much less serious than it would have been twenty-five years ago, and those who have been out of employment for the last six years might very well walk in.

By Hon. Mr. Dandurand:

Q. Have you the number of men who were laid off by both railways since 1930?—A. I can give this figure. In 1926 there were 25,223 men in those classes, as an average; in 1928 the figure had risen to 109·5 per cent of that; in 1932 it fell to about 66·7 per cent, and in 1937 it was 77·2 per cent, so the figure is now about 19,475 men.

By Hon. Mr. Parent:

Q. Out of work?—A. No, in work. There are roughly 6,000 odd men who have gone out. Of course it was very much more than that in 1922-23.

By Hon. Mr. Murdock:

Q. Would you give us your view on one point that certainly would be used for comparative purposes? American railroad men running into certain of our terminals, particularly Montreal, and through the southern peninsula, are receiving wages of ten to thirteen per cent higher than those received by Canadians they come in contact with.—A. That figure of ten per cent to thirteen per cent was a comparison for all the years between 1926 and 1935. It did get down as low as nine per cent.

Q. Before the last increase in the United States?—A. What was the question, sir.

Q. What kind of an apology would you make to Canadian railroad men generally for permitting a continuance of that condition under which men in similar conditions who are getting ten to thirteen per cent less now would be reduced?—A. This is a country which on the whole is less productive than the United States per head of population, and therefore it is impossible to pay as much. In fact, the earnings in other occupations in this country are very much more than ten per cent below those in the United States. Even with the disparity complained of, railway men are better off here than they are in the United States.

Q. Do you say that all Canadian wages are very much below those in the United States?—A. Yes, sir. Naturally it spreads over a range, but the central tendency is to have very much lower wages in Canada than in the United States. The productivity is lower per head.

By Right Hon. Mr. Meighen:

Q. Before you would apologize you would want to be sure that their scale was right.—A. Oh, yes.

By Hon. Mr. Murdock:

Q. Then your thought is that Canadian railroad men's wages are about twenty per cent too high?—A. May I put it this way? Railway men's wages in Canada are now higher in relation to those of other people in Canada than American railway men's wages are in relation to those of other people in the community.

Q. You had better check up on some of your figures, professor.

Hon. Mr. ROBINSON: Going back, this graph of the tendency of the railways is rather depressing. Last year we had some evidence which indicated that we were just down in a little hole, but would come up again, and many figures based on the actual operations of the previous years were given to guide us in future years. But I judge from this graph which you produce that you do not think there is much prospect of coming back, but that we are on the down grade. It looks as though we were going to continue, and any figures based on the past would be misleading, and the situation instead of getting better is going to be more aggravated as time goes on. Am I right?—A. I think you are, sir. First, motor transport is nipping off all the traffic where rates are high, and second, the volume of tonnage per capita which the railways once got they are no longer getting. I prepared a table showing the volume of freight traffic adjusted to the population, freight traffic carried per capita. The only long series there is one which includes duplication. That is, it is freight originated in Canada, freight interchanged between Canadian railways and freight received from foreign railways. So it has certain faults. But it is a long series; it runs from 1875. From 1875 to 1920, freight traffic per capita on that series was increasing by 5.35 per cent per annum, a simply tremendous change. That is a change which is adjusted for the rise in population. Now, then you flatten off after that, and from, say, the 1913 peak you just get back there at 1926 or 1928. And at 1932 you are down at the level of 1903. So I am not prepared at all to think that this is merely a depression phenomenon.

By Hon. Mr. Horsey:

Q. Why did you begin at 1921?—A. I started at 1921 only because the national income series begins there. I would very much like to go back and see what the normal movement of the business cycle is, but the income figures are not there.

Q. But there has been a gradual falling, you think?—A. I would place the term as not later than 1923, and it may be earlier. I find it significant on that chart that in the passenger service 1923 is the one year where it is higher than the preceding. After that it is continuously downward. And in the freight service, 1923, a good crop year, was higher than 1921.

By Hon. Mr. Calder:

Q. That graph covers a period since the last war?—A. Yes, sir.

Q. It also covers a period when, for about nine years in Western Canada we practically had no crops. But if this old world ever straightens itself out and all these restrictions and other things that exist now all over the world disappear, and if we get increased immigration in this country, which we can very well take care of if conditions are right, is there not a possibility that the line on that graph will turn upwards, and that very rapidly?—A. No, sir, I do not think so. I think the very most I could ever hope for, under the most favourable conditions, would be to have that percentage flatten, merely to run level. That is the most optimistic thing I can foresee.

Q. Last session the evidence given to us in so far as trucks and buses were concerned, was that they had a trivial effect on our railway earnings. What they took away from the railways amounted to very little.

[Prof. John L. McDougall.]

Right Hon. Mr. MEIGHEN: I did not get that impression, Senator. That was with regard to interprovincial traffic, but not the local.

Hon. Mr. CALDER: My impression is that it was said to be very small.

Hon. Mr. DANDURAND: That is the interprovincial traffic.

Hon. Mr. HAIG: We were told that '98 per cent was provincial, and they have taken all the good part of that 98 per cent.

The WITNESS: The freight revenue in 1937 was \$270,500,000. I understand that the gross revenue from motor operations is in the neighbourhood of \$60,000,000. That does not take into account the further loss of revenue which comes when the railway keeps traffic but at a lower rate.

By Right Hon. Mr. Meighen:

Q. When the rate is cut?—A. Yes. If they cut their rates, it all comes out of the net revenue.

Q. Did you ever know a downward drift of an industry, extending over a period of as long as eighteen years, that was definitely reversed? Did you ever know of any such industry in history?—A. I only know of one book on the subject, Kuznetz's *Secular Trends in Production and Prices*, and it covers more the growth period than the time.

Q. That is different.—A. But the argument there was that growth which was faster than the growth in population, eventually flattened out; that it was impossible to maintain it.

Q. But when there has been a downward drift in an industry over a period of eighteen years, I venture the assertion there has never been a reversion.—A. In relation to the railways I think, sir, it is possible to overstate the permanent weight of motor competition. What we are doing up to the present time is comparing railway prices with motor costs. The Chevrier Commission suggested that the absolute minimum for motor freight rates under present conditions should be about 2 cents per ton mile. If the railways could get the traffic, they could grow fat on one cent per ton mile.

Q. That may be. That does not answer the question.—A. At the present time I do not think any of the provinces have begun to face the weight of costs which the highways they are putting in are entailing. These are being absorbed in capital and in depreciation that is not being met. Now, if and when they are forced into that, I think you will find a relief. I do not think it is a near term in the least; it may be another ten years.

Q. You think there might be a definite drift upward over an extended period, in the railway business?—A. I think this way, sir, if I may speak to the report of the Chevrier Commission: in that report it is quite clearly recognized that the heavier vehicles entail an additional cost. The principle is admitted. But when it comes to applying it I think the Commission just runs right around the question and fails to meet it. So that if and when the costs finally come in and force the provinces to assess these heavy vehicles much more heavily than they now do, then the competitive power of the railways will be very greatly improved. It is a hope and it is a long-term hope, but it still might suggest that you would flatten rather than continue to decline.

Q. You might flatten, perhaps, for a while.

Hon. Mr. BLACK: That is not very encouraging for an increase in business.

By the Chairman (Hon. Mr. Beaubien):

Q. But do you not think that even if the provincial governments intervened, transportation by truck might by that time be developed considerably? There might be better trucks, larger trucks, and so on?—A. Well, sir, the total size of the trucking industry is dependent at the present time on the amount of

subsidy it draws from provincial treasuries and from other users of the roads. I can see on that basis almost any level of development.

Hon. Mr. ROBINSON: Mr. Chairman, is it too late to start on another line before adjournment?

Hon. Mr. HAIG: Yes.

The Committee adjourned until 3 o'clock this afternoon.

The Committee resumed at 3 p.m.

Hon. Mr. ROBINSON: Mr. Chairman, I should like to ask the witness his views on the question of a solution of our difficulties by increased population. We have heard that advocated. What effect would it have on the railway situation, and what does he think about it? Would that be in order?

The CHAIRMAN (Hon. Mr. Beaubien): It goes outside the ambit of his evidence.

Hon. Mr. ROBINSON: What is his idea?

The WITNESS: May I answer, Mr. Chairman, if I restrict myself to five minutes?

The CHAIRMAN (Hon. Mr. Beaubien): Yes.

The WITNESS: First, a great deal depends on what you have to offer people who come. You have to offer them more than a share of the national debt. Second, it depends on where they are to be placed—

Hon. Mr. DANDURAND: I thought that would be one consideration.

The WITNESS: —that if they are in the export trade producing heavy tonnage, then probably they would be a very great help. I am not so certain that it means anything very much if you segregate them in the urban centres—certainly not nearly so much. It again comes back to that question, the movement of population which is encouraged by the existing price structure. In the proceedings of the Canadian Political Science Association, 1934, pages 220 to 237, Mr. W. D. Hurd published a study on Population Movements in Canada, 1921 to 1931. In that study he showed, first, that between 1921 and 1931 the net loss of the prairie west in native-born was 66,000 people; second, that the net movement out of rural Canada in the same years, 1921 to 1931, was 408,000, made up of an outward movement of 550,000 native-born and a partial replacement of 142,000 foreign-born. That is a net movement only. If you take into account the foreigners who come in, go on the land, and then leave it again, you have figures in the order of 670,000 to 700,000 people. That occurred in a period when agriculture was expanding, the expansion being in the order of 16 to 21 per cent, depending on whether you take the total amount of land in farms or the improved area of farm land. That period, 1921 to 1931, was one which was extraordinarily favourable by comparison with the period to date since 1931. Given the continuance through 1931 to 1941 of the same forces which were present in the period 1921 to 1931, you would have a net exodus from our rural areas of 800,000 people. I do not need to say what has happened in the deterioration of the economic opportunities in our rural areas. Now, where do you put people if that is all the inducement to work upon?

By Hon. Mr. Robinson:

Q. That is what I want to know. Perhaps you can tell us.—A. It is easier to analyse it than to give an answer.

[Prof. John L. McDougall.]

By Hon. Mr. Horsey:

Q. Mr. McDougall, have you got the figures worked out for the United States earnings in proportion to income from 1921 on?—A. Earnings and national income?

Q. Yes.—A. I have not that, sir, but Mr. Leslie Thomson in his book has done something very similar, drawing on the work of Colonel Leonard Ayres, of the Cleveland Trust Company, and it shows an identical movement. I cannot give the exact page.

Q. It is just a severe drop?—A. I do know the figures show a greater drop in the number of railway workers employed between 1926 and 1936 in the United States than in Canada. So I would judge it is the same thing. It probably started earlier there and has been a shade more severe.

By Mr. Biggar:

Q. One of the members of the committee has asked me to ask you to expand a statement you made that it would be a grave mistake to set down as entirely due to motor traffic the depreciation in the railway situation that is indicated in Table 1.—A. It is much easier to state it negatively than positively. The railway's own estimate as presented to the Duff Commission was that the loss in revenue in 1930 through motor competition was in the order of \$24,000,000. If you take the same percentage of the national income as at 1921, that \$24,000,000 accounts for only one quarter of it. So I am much surer of the fact than the explanation. Various explanations can be offered, as for example:—

1. A falling proportion of the population engaged in the industries producing heavy traffic;
2. Approaching exhaustion of certain natural resources, as, for example, lumbering in Ontario;
3. The end of the construction boom associated with the opening of the prairie West;
4. Rationalization of industry in order to economize in transportation costs; and
5. The general tendency of any rising trend to flatten out.

By Hon. Mr. Calder:

Q. What about the opening of the Panama Canal?—A. I would think that was a factor of importance, but I could not rate it.

Hon. Mr. BLACK: It would not affect volume.

Hon. Mr. CALDER: It would affect your rail haul.

By Hon. Mr. McRae:

Q. The passenger percentages would indicate that from 1921 to 1937 there was a falling off of sixty-one per cent?—A. Yes.

Q. That is more serious than the freight drop. Could you give the factors that have so far dissipated the passenger business?—A. It is very hard for anybody on the outside to do that. I get the grand aggregate figure through the railway reports, and cannot tell where it occurred. You get a figure of passenger revenue from ticket sales, and also a revenue from the sale of seats in parlour and sleeping cars. When the figure was first prepared the revenue from parlour and sleeping cars was 6·1 per cent of the revenue for carrying people. That percentage climbs constantly until 1931, when it is up to about 12 per cent. Then it falls off slightly. By 1937 it is 12·96 per cent. The figure after 1936 does not show the full position, because you pay more for transportation in the parlour and sleeping car after June 1936, than to travel in coaches; so the railways probably inflate that percentage to show the amount. Now, either those people who are travelling are travelling soft, or else the losses are entirely on the branch lines.

By Hon. Mr. Hugessen:

Q. The branch lines where there are no parlour cars?—A. The people are not travelling at all. You can show that continuously the percentage is rising. But certainly to stick, as the railways did, to a standard rate of fare of 3·45 cents right through from 1921 to 1936, in the face of a decline of that kind, without any attempt whatever to meet it, is one of the things I would rather they explained.

By Hon. Mr. Murdock:

Q. Is not the private automobile largely responsible?—A. I think it is, sir; but one of the reasons why I came into the study of the railway running trades was that I was wanting to find out what could persuade them to stick to figures like that in the face of falling volume, unless something was holding them up.

By Hon. Mr. Black:

Q. Would not a reduction in passenger rates simply mean a reduction in revenue?—A. That depends, sir. In the southern United States they found that as they dropped rates they got more passengers, but not enough more until they got down to a cent and a half. Then they made more in net revenue than at 3·6 as the standard fare. Then there is the experience of the eastern lines. They were compelled by the Interstate Commerce Commission to come to two cents. They wanted to fight it, and the only reason they didn't was that the Baltimore & Ohio stood out. They took the two cent rate until some time in 1937, when they appealed for two and a half. They were given two and a half, and discovered they were better off with two cents.

By Mr. Biggar:

Q. You haven't got before you the proceedings of the committee. Perhaps I might show you exhibit 10, at page 49. That is the one which shows the average passenger journey. You will observe that the average length goes up from 1923 until about 1927, then falls substantially, and then has gone up very much since 1930.—A. That would suggest that it was a falling off in the branch lines travel.

Q. The comparatively short journeys in coaches as distinguished from the comparatively long journeys in parlour cars and sleepers?—A. Yes.

Q. Now, you think that independently of the development of the motor traffic—because I think you say the motor traffic did not become important until 1929-30?—A. Not in freight traffic. That is, in so far as it did take traffic from the railways, it was cheaper in net revenue to let it go than to reduce the rates and fight. It was not until 1933 that they did make general reductions.

Q. You don't know how long before that there had been pressure?—A. It was growing, but in their judgment it was worth while to ignore it—and I am not convinced that they were wrong. They may have been slow, but they were not badly wrong.

Q. Now, with regard to freight, do you know whether the same falling off appeared in the United States?—A. Yes.

Q. Some of the reasons you suggested for the falling off in Canada would hardly apply to the United States.—A. I think the same influences are there.

Q. The exhaustion of natural resources?—A. You have the exhaustion of natural resources in the east, in lumber, even more than here.

Q. Is there anything in the increase in the self-containedness of areas, the kind of thing that is said to be affecting international trade?—A. There is this, I think. At the beginning of the railway period it was cheaper to manufacture at certain very narrow centres and move your products out. The whole development of New England was on that basis, and the relative decline since 1900

[Prof. John L. McDougall.]

is a proof of that. The course of the steel industry proved the same thing—the movement towards Chicago and away from Pittsburg. As you develop skill you move labour towards materials and the final market.

Q. And your actual movement of tonnage falls in proportion to population?—A. Yes, although in Canada that is qualified by the tremendous importance of the grain traffic in ton miles per capita. In 1923 we were up near the top. In ton miles of grain traffic per head of population, there was 4,231 in 1928, and that is a higher figure than in any previous year. The figure in 1923 was 3,781 and the previous high figure was 3,869 in the year ending June 30, 1917. The corresponding figure for 1937, which is again the best since the depression, is 2,421. The grain traffic, on account of the long movement, does lift that figure.

The chart referred to by Professor McDougall was filed as Exhibit 98.

Mr. BIGGAR: This chart may not appear in the same number of the proceedings as to-day's evidence, as it may take a little time to photograph the chart.

The Committee said they would hear Mr. Meikle of Winnipeg. He is here now.

Mr. ALLEN MEIKLE was called as a witness.

By Mr. Biggar:

Q. Mr. Meikle, I understand that you are the President of the Canadian Federation of Labour?—A. Yes sir.

Q. You are speaking on behalf of that Federation, which includes some railway employees?—A. Yes sir.

Q. Have you got a submission that you want to make to the Committee?—A. Yes sir.

Q. Perhaps you might tell the Committee how the Federation of Labour is constituted, and what its relation to railway labour is, before you go along.

Right Hon. Mr. MEIGHEN: It is all labour?

Mr. BIGGAR: Yes.

The WITNESS: Before you ask me any more questions, Mr. Biggar, I would like to say something in reference to what happened here at the last meeting of this honourable Committee. I have a press report here, dated Ottawa, March 15:

The Canadian Federation of Labour was formed in 1936 for the express purpose of clamouring for railway unification, Senator James Murdock, Liberal, Ontario, declared to-day in the Senate Committee inquiring into the railway situation in Canada.

If that is a true report of what Senator Murdock said, I want to say here it is utterly and damnably untrue.

Hon. Mr. DANDURAND: You can give your evidence politely, Mr. Meikle.

Hon. Mr. PARENT: How do you spell that word you used?

The WITNESS: It is good English. It is used to emphasize a statement.

Hon. Mr. MURDOCK: The report as made in the press is quite correct, and can be proven so.

By the Chairman (Hon. Mr. Beaubien):

Q. Mr. Meikle, would you be good enough to use parliamentary language, as much as you can?—A. Yes, I will. Mr. Chairman, we have come to a sorry pass in a free country, when a group of citizens who dare express their opinions on a public matter cannot do so without their motives being impugned by men in privileged and restricted positions. The statement, as I said, is totally

untrue, and when anybody attempts to try and substantiate that, probably I will have something more to say about it.

With your permission, Mr. Chairman, I will read the memorandum.

Hon. Mr. MURDOCK: Half a minute. Perhaps we might develop some other facts now, if you do not mind, Mr. Chairman. Mr. Meikle is here speaking for the Canadian Federation of Labour. I think we all appreciate the fact that the component parts of any federation are the representatives of certain organizations. Would it be unfair to ask Mr. Meikle what organization he belongs to?

Hon. Mr. HAIG: Mr. Chairman,—

Hon. Mr. MURDOCK: Just a minute.

Hon. Mr. HAIG: I take a point of order. I do not think that question should be asked. We have not asked any other representatives of labour whom they represented. They said they represented certain people or organizations. I think the question is out of order. It is only going to cause a bitter discussion over this and that form of labour. I do not think we ought to go into that.

Hon. Mr. MURDOCK: You are right. It would only go to prove what I said the other day—

Hon. Mr. HAIG: Don't let Senator Murdock put words into my mouth, Mr. Chairman.

Hon. Mr. MURDOCK: Let it go.

Hon. Mr. HAIG: I do not think the question that Senator Murdock asked should be allowed. The rest of us do not bring our labour opinions into this Committee, as one gentleman on this Committee does. When Mr. Meikle is through, if he wants to go into an argument with Senator Murdock, let them go to it. I will listen.

Hon. Mr. DANDURAND: I thought, Mr. Chairman, that at the outset we should have obtained from Mr. Meikle a list of the members of the Canadian Federation of Labour, so that we should know what he represents.

Hon. Mr. HAIG: That is all right.

The WITNESS: Yes, I can give you that.

Hon. Mr. DANDURAND: And he could perhaps tell us at the same time how those members of that Federation expressed their views, so that we may know whether he is speaking for them all.

The WITNESS: I would not say, Gentlemen, that I speak for all the members in the Federation. I speak for the Canadian Federation of Labour, for the majority in that group.

By Right Hon. Mr. Meighen:

Q. Who are the Federation, Mr. Meikle? What constitutes the Federation?

—A. It is made up of different organizations from coast to coast in Canada. I have a list of them here. I could give you the main ones off-hand.

Hon. Mr. CALDER: Take your time.

The WITNESS: I have so many documents here—

Hon. Mr. MURDOCK: While Mr. Meikle is looking for that, may I quote from the *Winnipeg Tribune*, of the 17th of this month? Winnipeg is where Mr. Meikle comes from.

The CHAIRMAN (Hon. Mr. Beaubien): I think we ought to get his answer to the question first.

The WITNESS: I will give the names offhand, anyway: The Building Trades Workers of Canada; the Transport and General Workers Union of Canada; the Electrical Communication Workers of Canada. And the One

[Mr. Allan Meikle.]

Big Union is a component part of the organization. There is the Saskatchewan Coal Miners' Union, and a dozen or two locals in general unions all over Canada. There are general workers, sugar workers, labourers, and different classes of men all over the Dominion.

By Hon. Mr. Hugessen:

Q. How many railway workers do you claim to represent?—A. I could not tell you offhand. I admit the railway workers in the Federation are not very numerous, because of certain discrimination that took place many years ago, where men lost their jobs because they had belonged to a Canadian union. That depleted our ranks. But the rest of the workers in Canada, numbering about 52,000, belong to the Canadian Federation of Labour.

By Hon. Mr. Calder:

Q. That covers all the organizations you referred to?—A. Yes, sir.

Q. The 52,000?—A. Yes, sir, all over Canada.

By the Chairman (Hon. Mr. Beaubien):

Q. If you have finished answering that question, will you proceed now with your memorandum?

Hon. Mr. MURDOCK: May I now quote from the Winnipeg Tribune?

The CHAIRMAN (Hon. Mr. Beaubien): Yes, if you want to.

Hon. Mr. MURDOCK: And I will ask Mr. Meikle how correct this is. I am reading from the Winnipeg Tribune of March 17, 1939:

O.B.U. OUSTED BY FEDERATION

Ottawa, March 17.—The One Big Union has been suspended from the Canadian Federation of Labour because of "delinquency in payment of affiliation fees," W. T. Burford, secretary-treasurer of the federation, said here Monday night.

There are about 3,000 O.B.U. members affected by the suspension, and the membership of the federation will now stand at 40,000, Mr. Burford said.

The O.B.U. is a western organization, with headquarters in Winnipeg.

O.B.U. DECIDED TO QUIT FEDERATION

Suspension of the One Big Union from the Canadian Federation of Labour, announced in Ottawa, did not surprise R. B. Russell, secretary.

He said the O.B.U. took the first step to discontinue affiliation with the C.F.L.

"A month ago we advised the executive of the C.F.L. unless it stopped propaganda in favour of railway unification we would withdraw from affiliation," said Mr. Russell.

He added the C.F.L. had not halted its "unification propaganda," and at an O.B.U. executive meeting Thursday night it was decided the western organization would immediately discontinue its affiliation.

Mr. Russell said the O.B.U. had 23,000 members "throughout Canada."

Now, if I might ask Mr. Meikle one question: Are you a member of the O.B.U.?—A. Yes, sir.

Q. Then, is it fair to ask, whence comes your authority to speak for a federation, when as a member of an affiliated organization you are outside the fold?—A. Because I am also a member of the Transport and General Workers Union, lined up with the Canadian Federation of Labour.

Hon. Mr. PARENT: So he can transport his views anywhere.

By Hon. Mr. Murdock:

Q. A moment ago you quoted the O.B.U. as one of the organizations. Do you withdraw that now, or is this statement correct?—A. Withdraw what?

Q. Is the O.B.U. represented by the Canadian Federation of Labour here, by you?—A. That section in Winnipeg that was responsible for that statement has been suspended temporarily, for the lack of paying their per capita tax. That has never been discussed in the O.B.U. at any general meeting.

By the Chairman (Hon. Mr. Beaubien):

Q. Now, Mr. Meikle, will you proceed?—A. First of all, Mr. Chairman, I want to thank this Committee for the courtesy extended in allowing the Federation to present its views at this time. I will read my memorandum

Honourable Members of the Committee:

1. In view of certain statements that have been made, reflecting on the *bona fides* of the Canadian Federation of Labour, and impugning its motive in advocating a solution of the railway problem, it may be useful to outline the history of the Federation and the position it occupies as an organization of Canadian workers. The Canadian Federation of Labour had its origin in 1902. In that year the Trades & Labour Congress of Canada excluded from affiliation such national or independent unions as comprised workers in occupations in which United States unions claimed an exclusive franchise. The national or independent unions which refused to surrender their autonomy formed a new central body which after an interval adopted the title of The Canadian Federation of Labour. In 1927, in order to achieve a wider unity, the Federation adopted a new constitution and a new title. Some organizations which had held aloof were thereby induced to join. But it was found that the effect of the change was to place a certain group in a position to acquire complete control. It became necessary in 1936 to revert to the original name of the Federation when its principles of democratic citizenship were endangered. For the Federation has always regarded labour organization as something more than economic activity; it views the Labour movement as a phase in the age-old struggle of the common people for freedom to live their own lives in their own way. It is opposed to foreign domination of Canadian workers' organizations, and to dictation from any other quarter. It may be distinguished further from other organizations by its consciousness that a regimented economy and democratic institutions have never yet existed together.

2. It is primarily because the Federation desires the maintenance of a free economy in Canada that it is impelled to submit its views to the Special Committee on "the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto". While the Federation is keenly aware that our capitalist system does not always function in a manner which is fair to the workers, it realizes that the system exists, and that should the system cease to operate it would not necessarily give place to a better one. It is obviously to the interest of both employer and employed that while the system persists it shall be made to go, and that it cannot be made to go unless there is sufficient inducement for venture capital to equip industrial enterprise. Allowing for every known or suspected case of imprudent investment, the railway systems of this country represent the beneficial placement of billions of dollars of capital, and the crux of the railway problem appears to be that that capital is not earning even those modest returns which the most severe critic would admit to be necessary to maintain economic health. One great group of railway owners receives no return, and another and even greater group, both in Canada and abroad, receives its returns at the expense of the taxpayer, and not as a

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result of profitable operation of the industry. On this account the Federation is of the opinion that the solution of the railway problem is a matter of concern to all citizens, whether indirect or direct taxpayers. It believes that a solution is particularly in the interest of the railway workers, as well as of the workers generally. A solution is desirable if for no other reason than that a large cause of the present psychology of pessimism would thereby be removed. Freed from that incubus, new confidence might be expected to develop quickly, and the public, having seen one grave disability successfully overcome, would turn its attention to other pressing economic problems with greater assurance of being able to solve them. The Federation also desires to express the view that the financial problem of the railways (or of the taxpayers) is part of the larger national problem of the duplication and overlapping of transport facilities in Canada, a superfluity of service and equipment which has greatly increased the burden of public debt, thereby raising an obstacle to social reform and lowering the general standard of living while undermining established conditions of unemployment.

3. The Federation has stated its views upon this larger problem to the Dominion Government. It has urged upon the Government the elimination of duplication, as far as possible, in all transport services and the integration of road, rail, and water transport as far as these services are subject to Federal authority. It believes, however, that regardless of what may be accomplished in other spheres of transport service, the financial situation of the railways warrants their complete co-ordination, under one management, not only in the interest of the taxpayers in general (who include the workers of all occupations) but particularly in the interest of the railway workers. During the last eight years many thousands of railwaymen have lost their employment largely through piecemeal measures of co-operation. These workers have received no compensation whatever for the loss of their jobs, whereas in the United States and Great Britain railway co-ordination has been carried out with full provision for all the employees concerned. The issue has been deliberately confused in Canada by the injection of the question of ownership. Under the only method of complete co-ordination that has been proposed, ownership would not be effected. Assurance has been given that adequate provision would be made for all present employees either by separation allowances to maintain any displaced workers while they were securing employment elsewhere, or by a reduction of the pensionable age. The Federation believes that both of these provisions are essential to a fair settlement, and that the lowering of the pensionable age will prevent any loss of employment or displacement of labour, as the whole process of adjustment would be bound to take several years. The alternative to co-ordination, so far as railway workers are directly concerned, is the continuance and the extension of the present process of staff reduction, with part-time employment and generally depressed living standards for those who remain in railway service. The whole burden of the depression in the industry falls upon the lower-paid workers; the higher officials are seldom affected.

4. Although, on general grounds of social policy, the Federation emphasizes the need to provide compensation for railway employees who might be laid off as the result of railway reorganization, the number of railway workers has been reduced to such an extent in recent years that it does not see, either in the continuance of the present structure of the industry or in the modifications of that structure that have been publicly advocated, any serious threat of further curtailment of employment for the present railway staff. If, however, co-ordination should result in more rapid rationalization than its advocates anticipate and thus lead to dismissals of present employees, it is submitted that the companies should be obliged to recompense them on an agreed scale. Due provision has been made in other countries for employees affected by recent railway reorganizations on a national scale, and there is no apparent reason why the compensation plans approved by the railwaymen's unions in Great Britain

and the United States could not be adapted to the situation in Canada. The objections that have been expressed by Canadian railway employees to measures designed to put the industry on a sound economic basis seem to be prompted by the one factor which differentiates the Canadian situation from that of other countries, namely, the existence of a state railway in competition with a privately owned railway.

5. In this exceptional circumstance the Canadian Federation of Labour sees added reason to hope that a solution of the railway problem will be promptly found and applied. In common with other labour organizations, the Federation respects the policy of public operation of public utilities. It deplores the discrediting of that policy by the misfortunes of the state railway, but it does not believe that loyalty to a great experiment in public enterprise enjoins blindness to the public welfare, and it doubts whether the faith of working men and women in what is commonly miscalled public ownership would long survive a realization that adherence to a fetish is needlessly costing the average family about a week's wages every year in taxes. The measure of railway co-ordination proposed by the Canadian Federation of Labour does not involve the relinquishing of the national equity in the railway industry: that indeed would scarcely be possible in view of the existing liabilities. It is simply proposed that the railways should be operated under a single management as one enterprise. It may be noted that the co-ordinations of railways which have occurred in Great Britain and the United States have not been complicated by questions of public or private ownership, and in Great Britain although the workers have advocated a state monopoly they have not carried that agitation to the point of interfering with rationalization. They do not insist today any more than they did in 1921, when some 120 railways were merged into four companies, that public ownership shall be a condition of co-ordination. Their motive in pressing for the elimination of extravagant duplications of service is to place the railway industry on a sounder economic basis and to enable it to improve conditions of employment.

6. The demand of the British workers for further rationalizing of the railway industry is made in full confidence that railway employees will be protected as companies are merged. That protection was guaranteed by the Railways Act of 1921, with the terms of which honourable members of the Special Committee are doubtless acquainted. The act provided that any employees who were dismissed were entitled to compensation from the amalgamated companies. Employees transferred to other work were not to be "in any worse position" in respect of the conditions of their service. The effect of these restrictions was that rationalization of the British railway system was carried out gradually over a period of years, so that reduction in staff largely corresponded to normal employment attrition, and dismissal compensation payments did not become onerous in amount. The only complaint by the British railwaymen as to the compensation provided in the few cases of dismissal that have occurred is the general one that the worker always deserves more than he gets. They are convinced that the system is fair in principle and they want it to be continued and extended. Thus Mr. Fred Watkins, M.P., the President of the Railway Clerks' Association, writing in the February 1938 number of *Labour*, the organ of the British Trades Union Congress, comments:

The act of 1921 provided that workers whose employment was terminated by the amalgamations were fairly compensated. Similar and other protective measures for security and fair conditions of employment must be included in the plan for co-ordination.

7. Similarly in the Emergency Railway Transportation Act passed by the United States Congress in 1933 it was provided that reductions of staff necessitated by co-ordination should be limited to 5 per cent of the employees per

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annum, which is the normal rate of staff attrition through death, retirement, and change of occupation. This act was supplemented by an agreement between the unions and the railway companies in May 1936 which brought the benefit of dismissal compensation to all employees laid off, including many who were not protected by the terms of the act. Displaced workers have the option of demanding a lump-sum settlement, or of being paid 60 per cent of their average monthly earnings for a specified number of months, depending upon their length of service with the railway. The scale of payments is as follows:

Length of service	Period of Payment
1 and less than 2 years.. . . .	6 months
2 and less than 3 years.. . . .	12 months
3 and less than 5 years.. . . .	18 months
5 and less than 10 years.. . . .	36 months
10 and less than 15 years.. . . .	48 months
15 years and over.. . . .	60 months

By Right Hon. Mr. Meighen:

Q. That system of compensation applies where?—A. In the United States of America.

Q. Is the British system much the same?—A. On a similar basis. It is hardly as lucrative.

By Hon. Mr. Calder:

Q. Are the men permitted to do other work?—A. Yes.

Q. They do not have to account for any moneys earned in other occupations?—A. No, they are compensated for loss of employment.

Q. Loss of railway employment?—A. Yes.

8. The advocates of railway co-ordination in Canada have expressed an intention to protect the interests of the workers now dependent on railway employment. At the normal rate of attrition it would appear that retirement from the service on account of age, death, disability, and other causes would permit a staff reduction of five or six per cent per annum, as compared with approximately three per cent per annum estimated as necessary for the adjustment. Thus even should the volume of railway traffic remain at approximately the present low level during the estimated five-year period of adjustment, there would inevitably be a considerable natural reduction in the railway personnel—possibly a greater reduction than co-ordination would require. In the alternative, a drastic cut in wage rates would appear to be unavoidable if a substantial reduction in railway costs of operation has to be made in other ways. Thus, for the railway workers the balance of advantage would appear to be, at the lowest estimate, on the side of co-ordination, since the economies which would be realized would strengthen the railways' ability-to-pay position relative to wage rates. To reassure the railway workers that their interests will be fully protected the Federation offers the suggestion that the question of reserving a proportion of the savings realized by co-ordination as an insurance for railwaymen's wages should be considered by the Committee.

9. The Canadian Federation of Labour would be opposed to any action which would bear heavily on the workers. In its view, wholesale dismissals without adequate compensation would be a sufficient reason to refuse to consider co-ordination. The Federation has however carefully studied this question and believes that, with care and forethought on the part of the Government, and a real willingness to deal fairly on the part of private property interests, no loss of employment need result which would be beyond the scope of just and reasonable compensation. The Federation would also deplore any decline in the standard of service given by these public utilities, once the spur of

competition was removed, and its whole support of the plan of co-ordination is based on an assumption that any Government of Canada would make complete provision against this danger. There is reason to believe that this attitude of willingness to deal fairly by capital is much more in the interest of the workers than would be a continuance of the present dangerous situation. Another reason for the Federation's attitude is that, even if the Canadian people be willing to continue indefinitely the present situation, it will sooner or later produce such a crisis in our public financial affairs as to disturb and possibly wreck the very foundation of our social and economic system. The fact that this Committee is sitting is evidence of a realization of the gravity of the situation; indeed the Committee's terms of reference are an explicit statement to that effect.

10. The Federation finds further warrant for its attitude in the serious disruption of labour organization which the present situation threatens. There is a widespread belief in Canada that the earnings of railway workers are unduly high. It is true that the senior workers in many branches of railway service have high basic rates of pay and are given the right to preferred treatment in the amount of work they may do before the juniors are permitted to work at all. Up to the present, the growing discontent of the juniors has been throttled by threats that unless they remain loyal to the policies adopted by the seniors the big bad wolf of co-ordination will get them. Slowly but certainly this transparent falsehood is being exposed, and the discontent of the juniors is becoming intense. The United States unions which embrace most Canadian railway workers are not associated with the Canadian Federation of Labour, but it is not the Federation's desire to see their Canadian branches disrupted by internal strife. It hopes that Canadian railway workers will remain united until the growing sense of nationhood leads them to throw off their foreign allegiance and to ally themselves with their fellow-workers in the national labour movement. But so long as fear of co-ordination can be used by designing groups to repress the workers, so long will there be discontent and disunity in the ranks. The situation militates against the maintenance of good relations and mutual interest in each other's welfare between railwaymen and other workers. The selfish inclination of the senior members of the railway unions tends to set them up as an aristocracy of labour, and there is no justification to tax the other workers of Canada for the support of a favoured few. A continuance of present conditions will, it is believed, tend to develop an antagonism between the employees of the two railway systems. The workers employed by the Canadian Pacific Railway are rapidly coming to realize that the solvency of the corporation which employs them is in danger, and, while they are not yet ready to face an open breach, it is believed that one is inevitable.

11. The Federation deplores the growing tendency of Canadian National Railway employees, as such, to interfere in politics. Every citizen has the right to exercise the franchise, but our public life is not based on a theory of the corporate state in which each group of workers is a political unit. Yet this is the present trend. As the fact is well known, it does not need to be stressed in this submission. The Federation, however, believes that nothing more useful could be done than to remove the Canadian National Railways from this too close connexion with Government and therefore with party politics. This connexion necessitates a choice between making the national railways an actual department of the state, a status which would not be conducive to efficient operation, or the present anomalous system in which it is a corporation drawing on the state for its support yet able to dispute the authority of Parliament even to study its expenditures in any detail.

12. The conclusion has been forced upon the Federation that there is no other solution for the problem set before the Committee than co-ordination. Co-operation as advocated by the spokesmen of the Canadian National Railways

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would be merely a system by which two costly managements were retained to operate one railway. It would be a confused and complicated situation in which the economies which were made would not include the easiest and least speculative. Despite alarmist suggestions that workers would lose their jobs through co-ordination, at least by this policy any loss which resulted would be distributed among all classes of employees. One president would be out of work more certainly than any other employee. The system of co-operation, carried to any extent where it could accomplish substantial savings, would retain all the highest paid officials and eliminate duplication only among the lower paid workers. It is generally acknowledged that it would not save anything like as much as would co-ordination. It would have the special disadvantage that it would maintain the present system under which the personnel of the state railway intrudes in all political discussion with a unity of purpose which betrays a central direction. No other alternative has been suggested, except the hazardous one of continuing the existing arrangements in the hope that some miracle will bring salvation.

13. The Canadian Federation of Labour desires to dissociate itself from the views publicly expressed by various other organizations. The attitude of the so-called standard railway unions—i.e., the Canadian branches of the United States unions—towards the railway problem is mainly negative. They argue that co-ordination would be disastrous and they suggest that the railway industry should be exempt from the economic limitations by which other industries have to abide. The extent and nature of their positive proposals to deal with the railway problem are revealed in the utterances of Mr. Joseph A. Corbett, a Canadian official of the Brotherhood of Railway Carmen of America, who recently suggested that the solution of the railway problem lay in the direction of (a) a repudiation by the Dominion Government of its guarantee of Canadian National obligations; (b) severe regulation of highway and waterway transport; and (c) an increase in freight rates on grain, coal, ore, etc.

14. While agreeing that it is most regrettable that the credit of the Dominion of Canada has been involved to the present extent by railway ventures, the Federation would not care to share the responsibility of urging any measure of repudiation of national obligations. Indeed, the prospect that a continuation of the present policy may ultimately compel repudiation, or inflation of the currency, is the Federation's strongest reason for urging intelligent action. The Federation is aware that repudiation would wreck the whole financial and economic system of the country, and in such a wreck the workers would be the first and heaviest sufferers. Wages would lose their buying power; the value of the workers' small bank deposits and their modest insurance policies would be wiped out by even a threat of repudiation of the obligations of our Government.

15. The pleas that have been heard for severe and restrictive regulation of waterway and highway competition can be taken seriously only if it be assumed that the intention is to carry this regulation to the point of actually destroying this competition. The Canadian Federation of Labour protests against the assumption that railway workers have any more claim to protection from the state than have the workers in competing industries. It is well known that conditions of employment in road transport are unsatisfactory, and the Federation hopes that the power of the state will be used to obtain fair treatment for transport workers of every class. But it is realized that this is not what is wanted by those who advocate regulation of road transport to obviate the necessity of a change in the railway set-up: they obviously desire measures which will deprive other transport workers of employment for the benefit of the railway workers.

16. With regard to the third of Mr. Corbett's suggestions, the Federation rejects the theory that the railway problem can be solved by increasing the burdens now borne by the agriculture, the industry, and the commerce of Canada. While nobody would contend that workers should be forced to accept

low wages in order to give any industry the benefit of artificially low freight rates, it is wholly unreasonable to suggest an increase of freight rates for the sole purpose of protecting the railway industry from the results of neglect to improve its internal efficiency. If, after waste and duplication are eliminated from the railway service of Canada, it should then appear that freight rates are too low to permit economic operation, the demand for an increase in the rates would deserve consideration. The provision of transportation at low cost is essential to our civilization, and it is felt that every effort should be made in this direction before the interest of any single group of workers should be permitted to dictate an increase of the freight rates which are paid by the primary industries of this country. There is no indication that, at the present time, the world wheat market is in any condition to justify an increase in freight rates on wheat. Moreover, the coal-mining industry is able to survive only because large subsidies are paid by the state for the specific purpose of permitting low transportation charges. To suggest that the Government should, with one hand, raise the freight rates against Nova Scotia coal and then, with the other hand, contribute an increased subsidy to meet these increased freight rates, all for the special purpose of enabling the railways to avoid internal economies which can be made without any sacrifice of the rights of the workers, is to carry an economic absurdity to its illogical conclusion.

By Hon. Mr. Hugessen:

Q. Who is Mr. Joseph A. Corbett?—A. He is Chairman of the American Union in this country.

Hon. Mr. HAIG: That is given at page 9, paragraph 13, of Mr. Meikle's submission.

By Hon. Mr. Hugessen:

Q. What is his position?—A. He is Chairman of the Brotherhood of Railway Carmen of America.

Hon. Mr. CALDER: It is stated on page 9 that he is "a Canadian official of the Brotherhood of Railway Carmen of America."

By Hon. Mr. Hugessen:

Q. These views of his that you are attacking now, are they views of his organization or his views as an individual?—A. It would be quite possible to quote from a dozen papers throughout Canada similar statements made by members of American organizations.

Right Hon. Mr. MEIGHEN: We have heard them here.

The WITNESS: It is a common thing to read of some official of an American organization making statements just like that.

By Hon. Mr. Hugessen:

Q. But I am asking you whether that is the official policy of the Brotherhood of Railway Carmen, or what you call the American Union?—A. Yes, they have opposed any solution of the railway problem alone. They want to keep things as bad as they are.

Q. You say he has suggested "that the solution of the railway problem lay in the direction of (a) repudiation of the Dominion Government of its guarantee of Canadian National obligations; (b) severe regulation of highway and waterway transport; and (c) an increase in freight rates on grain, coal, ore, etc." Is there any official statement of theirs showing that this is their policy?—A. Well, Corbett has made it on several occasions.

Q. I know he has, as an individual.

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Right Hon. Mr. MEIGHEN: If he is Chairman, surely it is official.

Hon. Mr. PARENT: The statement does not say that he is the Chairman.

Hon. Mr. HUGESSEN: There is no reason why it should be official. He has expressed his individual view, just as you or I might, Senator Meighen.

The WITNESS: We take it that when the Chairman of an organization makes a statement of that kind and it is not contradicted by any of his officials throughout the country, it is fairly official. Statements of similar character have been made all over the Dominion, as reported in the press.

By the Chairman (Hon. Mr. Beaubieu):

Q. Would you continue with your submission, Mr. Meikle?—A. Yes, sir.

17. This submission would be incomplete if it did not include reference to an aspect of the policy of state railway operation which concerns the Canadian Federation of Labour very closely. Whoever urges more economical operation of the railways is promptly accused, from one quarter or another, of being in the pay of private acquisitive interests. That has been the experience of the Federation, and the incident that occurred when the request was made for the present hearing was only the latest of many which indicate the extreme difficulty and the risk that have to be faced by a labour organization which seeks to express its views on a matter of national importance. An active campaign is being carried on against railway co-ordination. An elaborate propaganda has been organized among the workers in the railway industry. The officials of the Canadian National Railways give the lead to this propaganda, which is designed to preserve their own employment by opposing measures to save public money. The present status of the C.N.R., as a state enterprise which enjoys great latitude in the disbursement of public funds, permits a practice which would not be tolerated in the Post Office, the Department of National Defence, or any other department of Government. It is suggested that there is a case for an inquiry into the methods that are being used, by an entrenched bureaucracy with ready access to the public purse, to influence public opinion in favour of a continuation of duplication of railway services.

18. In submitting these recommendations, the Canadian Federation of Labour is mindful of the inclination of all workers to resist technological and industrial changes involving curtailment of opportunities of employment. It is recalled that a century or more ago handicraftsmen in England smashed the new steam-power machines, in the wild hope of saving their jobs. Such actions were short-sighted. The industrial revolution, which power machines made possible, opened up a multitude of new occupations and new trade channels. Opposition to the rationalization of the railways, motivated by the fear of losing jobs, is as reactionary as the machine smashing of the Luddites. In the existing economic system there is an inherent tendency to combination, to co-ordination, and finally to monopoly. To work against that tendency is to retard economic development; regardless of anything we may do about it the tendency persists. The final outcome of this tendency might be central management not only of the railways but also of all other forms of transport. For the time being, however, the creation of a monopoly of transport is impracticable. The present proposal to co-ordinate the railways, as a single form of transport, contemplates leaving them in competition with road transport and water transport, the whole however functioning under adequate Government regulation. The Canadian Federation of Labour submits that this would constitute a step toward improving the economic position of the nation; and that no section of the people would benefit more greatly than the workers.

Hon. Mr. DANDURAND: Mr. Chairman, before Mr. Meikle started to read his statement, I asked him to give us a list of the various organizations which formed the Canadian Federation of Labour. He did not answer that question

to my satisfaction. It is in his interest to give us a list of the various organizations. I would ask Mr. Biggar to read to him the statement to the Department of Labour as to the groups in this Federation, so that he may make any comments he wishes upon that statement.

Mr. BIGGAR: Mr. Chairman, the relevant statement of the Department of Labour, which appears on page 3 of the Committee's proceedings of this year, is under the heading "Railway Organizations in Canada," and is as follows:—

	No. of Locals	Membership
Affiliate of the Canadian Federation of Labour:		
One Big Union (Transcona Shops C.N.R. and Weston Shops C.P.R.)	2	No report

Mr. Sutherland, the representative of the Department of Labour who gave evidence before the Committee last week, referred to the publication "Labour Organization in Canada, for the calendar year 1937." He referred to page 27 of that publication, where the Canadian Federation of Labour is said to have been established in October, 1936, "following a disagreement among the executive officers of the All-Canadian Congress of Labour." The statement goes on: "As a result, one group decided to sever relations with the Congress and set up a separate organization. The name selected for the new body was the Canadian Federation of Labour, which was the name of a national organization formed in 1902 but merged with the All-Canadian Congress of Labour when that body was formed in 1927. A provisional set of officers was appointed to direct the work of the Federation until a convention could be called."

There are further notes under the headings: "Purpose of the Federation," "Revenue," "Representation," and "Attendance at 1937 Convention." Under that last head the following is stated:—

According to reports presented to the 1937 convention, delegates were present representing the following organizations: Amalgamated Building Workers of Canada; Canadian Association of Railwaymen; Canadian Electrical Trades Union; Electrical Communication Workers; Canadian Federation of Musicians; One Big Union; National Union of Theatrical Employees; National Union of Operating Engineers; Canadian National Printing Trades Union; and various local units.

The last heading on the page is "Membership of the Federation," and it is stated there:—

The Canadian Federation of Labour reported a total affiliated membership of 52,622. Of the 72 local unions reported to be in affiliation with the Federation, all of which were circularized by the department, only 39 made returns, showing a combined membership of 8,704. As mentioned on page 8, it is not possible to give audited figures of paid-up membership for Canadian Federation of Labour.

Then follows a list of the officers of the Federation for 1937, on page 28 of this publication.

On page 8 down about the middle will be found this paragraph:—

Succeeding chapters of the present report indicate in detailed form the composition and numerical strength of the principal groups of labour organizations in Canada.

Then after several sentences I find the following:—

The other two bodies concerned, namely, the Canadian Federation of Labour and the Federation of Catholic Workers of Canada, declined to make their records available for the proposed audit.

I think that is all in the publication which is relevant.

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Hon. Mr. DANDURAND: I think someone in the Labour Department stated they had circularized various locals.

Mr. BIGGAR: He said he had had no returns for 1938 so far, but still hopes to get some. For 1937 they had returns from only 39 out of 72.

Hon. Mr. DANDURAND: He stated that he had circularized the secretaries. That is Mr. Meikle's justification for reference to so many associations. We should have the whole list of the associations that go to form his organization.

By Right Hon. Mr. Meighen:

Q. You can put that in?—A. Yes, sir.

Right Hon. Mr. MEIGHEN: I should like to ask you a question, Mr. Biggar. I have never met Mr. Meikle before, but I know you are a good judge of arguments and reasons. Assuming this presentation came from an association of penitentiary convicts, what would be your opinion of its value?

Mr. BIGGAR: From internal evidence?

Right Hon. Mr. MEIGHEN: Yes.

Mr. BIGGAR: That is one duty that I escaped in this committee.

Hon. Mr. MURDOCK: You would want to show first positively who did prepare it I think.

Right Hon. Mr. MEIGHEN: You can show that if you want to. It is mighty well done.

Hon. Mr. MURDOCK: Yes, it is.

By Mr. Biggar:

Q. Mr. Meikle, on the point Senator Hugessen was discussing, can you tell us so we may have it on record, where Mr. Corbett made this statement which is referred to in paragraph 13 of your brief?—A. He made it in the *Windsor Star*, and it was copied in the *Winnipeg Free Press* naturally.

Q. What was the date of it?

Hon. Mr. MURDOCK: I saw it one day last week.

By Mr. Biggar:

Q. It is very recent?—A. Yes.

By Hon. Mr. Hugessen:

Q. I want to point out, Mr. Meikle, that Mr. Corbett does not say in any way, shape or form what you contend in your memorandum that he did say. I rather anticipated that that might be the case. You say Mr. Corbett suggests repudiation by the Dominion Government of its guarantee of Canadian National obligations, severe regulation of highway and waterway transport, and an increase in freight rates on grain, coal, oil, etc. This letter says that the real causes of the railway deficit—

Hon. Mr. CALDER: What letter?

Hon. Mr. HUGESSEN: From Mr. Corbett to the *Windsor Star*, on which Mr. Corbett bases paragraphs 14, 15 and 16 of his memorandum. Shall I read Mr. Corbett's letter?

The WITNESS: Sure.

Hon. Mr. HUGESSEN: Mr. Corbett writes:—

EDITOR, *The Windsor Star*,

SIR,—Mr. Dalton J. Little, secretary of the Citizens Group for Railway Action, in a recent letter advises railway employees to agree to unification and grab Sir Edward Beatty's sop before it is too late. He

also continues Sir Edward's contention that unification will not displace railway employees, the alleged five per cent retirement annually will make the necessary staff adjustments painless.

Railway employees are not fooled as easily as Mr. Little may think. They are aware of the fact during the past nine years of depression, even with both railways in operation, that retirements have not prevented thousands of men being laid off, still out of service, and that more than a 15 per cent reduction of working hours in the mechanical trades has not solved their unemployment problem. Technological changes, increased efficiency and increased productivity of labour have, and are still, abolishing jobs faster than the staff is reduced by normal retirements.

If Mr. Little and his friends really desire to find a solution why do they evade the real causes? (1) Interest bearing debt; (2) Unfair waterway and highway competition; (3) Too low freight rates on bulk commodities such as grain, coal, ore, etc.

Now, let us go a little further:—

The \$279,447,714.25 of perpetual four per cent to six per cent bonds unloaded onto the C.N.R. by former bankrupt, privately-owned railways and other high interest bearing bonds continuing to 1970 are amongst the causes for the C.N.R. failure to pay out of operating earnings the full pound of flesh to bondholders. Some of these bonds date back to 1858. The face values of these bonds have in some cases been repaid up to four times during the past 80 years, yet the principal remains and interest charges continue for ever and a day. In one bond issue of \$13,000,000 over \$45,000,000 have been paid and the interest goes on forever. Waterway and highway deficits are costing the taxpayers more than \$80,000,000 annually.

That is a statement which may or may not be fact, but it is not a suggestion of repudiation.

Right Hon. Mr. MEIGHEN: It is pretty close to it.

Hon. Mr. HUGESSEN: Do you think so?

Right Hon. Mr. MEIGHEN: Of course it is.

Hon. Mr. HUGESSEN: I take the liberty of differing from you.

Right Hon. Mr. MEIGHEN: Why does he introduce the suggestion?

Hon. Mr. HUGESSEN: He says it is one of the causes.

Right Hon. Mr. MEIGHEN: In effect, if we want to improve the condition, why don't we look at the causes?

Hon. Mr. HUGESSEN: He is referring to the causes.

Right Hon. Mr. MEIGHEN: For the purpose of getting an improvement.

Hon. Mr. HUGESSEN: Mr. Meikle is trying to read into the letter what does not appear there.

Hon. Mr. MURDOCK: Read the rest of it.

Hon. Mr. HUGESSEN: Very well. The letter continues:—

Canadian freight rates are the lowest in the world—0.99 cent for hauling a ton of freight a mile. Rates in other countries are up to 3.48 cents per ton mile. If Canadian railways had received even the Australian rate of 2.50 cents in 1937 their net operating income would have been \$450,000,000 instead of only \$53,000,000. Canada has low freight rates in order to encourage agriculture and export trade. If Canada desires money dividends in place of service dividends then apply the Australian freight rates to Canadian railways.

[Mr. Allan Meikle.]

That is not a suggestion for an increase in freight rates. It is merely pointing out that the low rates are the cause of the financial depression.

Right Hon. Mr. MEIGHEN: But for the sake of a cure, he says, there is the way to look.

Hon. Mr. HUGESSEN: No, no; he does not say that.

Hon. Mr. MURDOCK: Read the rest of the letter.

Hon. Mr. HUGESSEN: I will read it all. The letter continues: —

Railway employees do not seek any special privileges. They only desire an opportunity to render useful service and earn an honest living. If the interests Mr. Little represents really want the abolition of competition and favour monopoly, then why stop with railway monopoly? Let us go all down the line with banks; life, accident and fire insurance; manufacturing; wholesale; retailing and even farming, with the savings going to the people who pay for these duplicated savings just as surely as the taxpayers pay part of the C.N.R. bond interest, the costs of waterways and highways. Attorney-General Gordon Conant has stated that commissions to agents selling life insurance average 60 per cent of the first year's premiums, 10 per cent of the second and five per cent for the succeeding 8 years. (Add to this the other vast administration costs and you get some idea of the duplicated cost of life insurance.) He also states that overhead costs of fire insurance are 49 per cent of the premiums paid. If monopoly will be a solution, then let us have planned economy for all services and industry.

The records show that the poor C.P.R. bondholders and shareholders have not fared too badly. Since 1881 they have received more than a billion dollars in interest and dividends.

I may be wrong, gentlemen, but I do not think that letter can be used as a basis for saying Mr. Corbett suggests repudiation of the obligations of the C.N.R., severe and unfair regulation of highway and water transport, and an increase in freight rates on grain, coal, and oil.

Hon. Mr. MURDOCK: Here is where that suggestion comes from, Railway Facts, published by the Citizens' Group for Railway Action. They say on the left-hand corner of their issue of March 13, 1939: —

Corbett Has Solution to Railway Problem. Joseph Corbett, general chairman for the Canadian National Railway employees who are members of the Brotherhood of Railway Carmen, recently has written the *Windsor Star*, making proposals which should be widely known because of his position as a leading spokesman for railway labour.

Mr. Corbett's proposals may fairly be summarized to mean:

1. Repudiation by the Government of Canada of the Canadian Railway bonds which have been unconditionally guaranteed by the government both as to principal and interest.

2. Legislation which would severely restrict the operation of commercial motor vehicles in order to force the use of railways, and

3. Raising of railway freight rates on grain, coal, ore and other bulk commodities which cannot be handled readily by commercial motor vehicles on highways.

Hon. Mr. CALDER: That is the same.

Right Hon. Mr. MEIGHEN: What he says is, "Leave things as they are or to one of these things."

Hon. Mr. HAIG: And Leonard says so too.

Hon. Mr. MURDOCK: I am not discussing that.

Hon. Mr. HUGESSEN: But I am. He says nothing of the kind.

Hon. Mr. MURDOCK: This Mr. Little works out those points for Railway Facts.

Right Hon. Mr. MEIGEN: Who is he?

Hon. Mr. MURDOCK: Not Senator Little. This fellow here. I get two or three of these sheets almost every day. That is his estimate of what Mr. Corbett said in his letter here. I would not be prepared to say that Corbett did mean those things.

Hon. Mr. CALDER: That circular which you read, Senator Murdock, says it is a fair assumption?

Hon. Mr. MURDOCK: Yes.

Hon. Mr. CALDER: Well, from a reading of the actual letter I fancy that many of us think it is a very fair assumption.

Hon. Mr. MURDOCK: From Mr. Little's standpoint it is.

Hon. Mr. CALDER: The letter means nothing at all unless it means that.

Hon. Mr. MURDOCK: These people are for railway unification, and it is his privilege, I suppose, to take that stand.

Hon. Mr. PARENT: But the circular which Mr. Murdock has in his hand is the same thing as Mr. Meikle has stated to us to-day in his memorandum. It follows practically the same wording.

Hon. Mr. MURDOCK: Mr. Little's summing up was satisfactory to Mr. Meikle, I understand.

The WITNESS: How does he sum up?

By Hon. Mr. Calder:

Q. May I refer to one other feature of your submission, Mr. Meikle?—
A. Yes.

Q. Last year we tried to get information respecting the provision made as a result of the amalgamation or co-ordination or rationalization of railways in the old land, and we had a good deal of difficulty in getting what you might call reliable evidence as to what actually took place. Are you in any sense personally familiar with the situation which grew out of that? Have you been in England and met the railway men there?—A. Yes, sir, I have. I met them in England last year. I made it my business to interview a number of railway executives on the very question.

Q. Executives?—A. Yes; and I asked them what would have happened in Britain if amalgamation had not taken place. They told me there would have been a 25 per cent reduction in wages if the unions had not used common sense and demanded amalgamation of the different systems.

Q. What I want to get at is whether or not the provision to take care of the railwaymen who were put out of employment is satisfactory to the railway employees?—A. Yes, sir, it is. Mr. Fred Watkins is a member of Parliament. He wrote to Labour, the official organ of the British Trades Congress, saying the provision was very satisfactory and worked out to the betterment of the men. They are quite pleased with it.

Q. We had another point under discussion last year as to the question of attrition through death, retirement, and so on, and we disputed whether it amounted to 3, 4 or 5 per cent. You place it at 5 per cent?—A. Yes.

Q. You indicate that it might be six per cent. Where do you get those figures from?—A. I think the director of railway personnel could substantiate those figures. They have been quoted in several papers. The attrition is five to seven per cent in different parts of the country. At the present time, because most of the railway employees are older than they used to be—most of them are men of from forty-five to fifty-five—the death rate is much higher. I think it is recognized in Great Britain that the railway attrition is five per cent

[Mr. Allan Meikle.]

over a number of years, from death, retirements, or other disability. The position we take is that every four, five or six years, the natural attrition would take care of it.

Q. Did you meet any men who were actually thrown out of employment?—A. Yes, dozens of men who were on pension—playing golf and bowling, and having a real good time.

Q. Did you find any complaint at all as to their treatment?—A. No. The curious point is that after you are forced out of employment into another phase of life, you begin to enjoy it more than you did your work.

By Hon. Mr. Murdock:

Q. Nearly all the provinces have measures under which they make certain payments for old age. Do you think that in equity to these old age pensioners an arrangement could be made to pension discarded railway employees at a much higher rate per month than is paid to old age pensioners? Would it be fair?—A. Yes, I think it would be fair to pension railway men off.

Q. And give them more than \$20 a month?—A. Yes.

Q. It would be preferred treatment.—A. I think it would be a precedent that might induce the Government of this country to raise the pension above the \$20 a month.

By Hon. Mr. Dandurand:

Q. You speak of amalgamation in Great Britain. There is no such thing as amalgamation, except between four railroads.—A. There is co-ordination of one hundred and twenty roads down to four.

Q. So there are four groups co-operating in a co-ordinated way?—A. Yes.

Q. There are four systems which are separate and autonomous?—A. Yes. But the Labour movement is demanding that they come into one again. That is the policy of the Labour movement in Great Britain.

Hon. Mr. CALDER: I have read that in several places.

There is a statement here, Mr. Meikle, on the top of page 11, the second line:—

An elaborate propaganda has been organized among the workers in the railway industry. The officials of the Canadian National Railways give the lead to this propaganda, which is designed to preserve their own employment by opposing measures to save public money.

What foundation have you for a statement of that kind?—A. Well, sir, Mr. Fairweather has been often quoted as making speeches on this particular question and opposing all forms of unification. After he does so, if you listen to the radio, in part of Western Canada, especially, you will hear a discussion on the railway problem, always by C.N.R. employees, quoting Mr. Fairweather liberally and taking the same view he does. It is those talks over the radio that are adding a little fire to the position of privately-owned railway workers, because we who are employed by the Canadian Pacific Railway are beginning to wonder whether we exist at all or not, or whether we are committing a crime by working for a private railway. They do not pull their punches; in fact, they claim they are the only people who have created wealth in Canada. If they are talking about a branch into a mining area, they will quote the production of the mine and say how much the railway has produced. The man who dug the mine and sweated his heart out is never considered. They have become the aristocracy of labour, and the C.P.R. workers resent that very much, for we feel, rightly or wrongly, that we have played a part in this country.

By Hon. Mr. Calder:

Q. Have you any evidence to indicate that Mr. Fairweather or the high officials of the C.N.R. are responsible? The radio is open to all sorts of people and all sorts of discussions.

Right Hon. Mr. MEIGHEN: Not all sorts.

By Hon. Mr. Murdock:

Q. Who started the propaganda?—A. Against it?

Q. No, for unification.

Hon. Mr. ROBINSON: Seven eighths of the propaganda is C.P.R. propaganda.

By Hon. Mr. Horsey:

Q. In this submission you talk about making concessions and so on, but there is nothing said with regard to the indemnification of men who lose their positions or property here in Canada if shops are closed up. There are people whose whole stake is in real estate, and who will lose everything. You have said nothing about any provision for them. How would you take care of that? It is just as important as the other.—A. Yes, I think I said there was a scale of compensation for anyone who might lose his employment.

Q. But what about his property and his investments?—A. I could not stretch a memorandum into that phase, whereby a worker in any industry—

Q. It would not apply so much in Great Britain, but it would apply very much in Canada.—A. I do not think you could segregate the railways from any other industry and claim that any person who ever had worked for a company should be compensated for loss of property if he has put investment in there.

By Hon. Mr. Murdock:

Q. Take a concrete case. The town of Hornepayne is entirely a railroad town. What about the storekeepers and property owners there?—A. How would I remedy that condition?

Q. What about these people who would lose their all?—A. How about these people who are losing their jobs to-day without compensation?

Right Hon. Mr. MEIGHEN: Suppose the Abitibi Mills in Manitoba closed up, they would not get a sou.

The WITNESS: How about the building trades? They have lost their jobs.

Hon. Mr. HORSEY: But you are asking that railway labour be specified under the spirit of the arrangement you suggest.

By the Chairman (Hon. Mr. Beaubien):

Q. You have referred to the way labour has been treated in Great Britain. Do you know whether there is any compensation for the men who are changed from one place to another?—A. Any man who loses a job in one part and is moved to another has his family and goods moved with him, and if he owned his home compensation is provided.

Q. Are there any tribunals in Great Britain to decide between the man who has suffered and the railway?—A. Yes, there is.

Q. Do you know whether they have functioned well?—A. They have functioned at all times.

Q. Satisfactorily?—A. Satisfactorily to the workers. The workers are quite happy over the situation.

By Right Hon. Mr. Meighen:

Q. But in Great Britain they do not extend their assistance beyond the scope of the railway worker himself?—A. Oh, no.

Q. They do not go to the storekeeper or the lawyer?—A. Oh, no.

Hon. Mr. HORSEY: I think that is going too far.

Right Hon. Mr. MEIGHEN: I thought you suggested that.

Hon. Mr. HORSEY: Oh, no.

[Mr. Allan Meikle.]

By Hon. Mr. Calder:

Q. All you said that certain people talked over the radio and spoke of what Mr. Fairweather said; but you accused the C.N.R. chief officials of engineering this propaganda.—A. Mr. Fairweather is quoted in those talks. If you look at the *Fress Press* any night—

Q. I might do the same thing if I was talking about the railways. There is no reason why I shouldn't. But you accused Mr. Fairweather of engineering this propaganda.

Right Hon. Mr. MEIGHEN: "Originating" would be a better word.

The WITNESS: Probably "originating" would be a better word. Suppose I spoke to-night on a certain subject, and throughout the Dominion of Canada men picked up my words and used the same words pertaining to the same subject, I think I could be accused of creating that condition.

Hon. Mr. HUGESSEN: You speak of "elaborate propaganda."

By Hon. Mr. Dandurand:

Q. Are you an employee of the Canadian Pacific?—A. Yes, sir.

Q. Then I could perhaps now accuse you of repeating in your memorandum, word for word, what your leader and chief, Sir Edward Beatty, has been repeating for the last five years.—A. It would not be the first time, sir, I have been accused of that.

Hon. Mr. MURDOCK: Great minds think alike.

The WITNESS: I have been accused of that from more sources than one, especially from the heads of the National Railways organization.

By Hon. Mr. Dandurand:

Q. But you speak of propaganda. Sir Edward Beatty for the last five years has been on the road urging further co-ordination.—A. Yes, sir.

Q. I see no harm in that.—A. As I said before, I have been accused of that in many cases. It is common talk against any man. Most of us have been in that position because we happened to take a view contrary to the other fellow. It is not always wrong.

By Hon. Mr. Hugessen:

Q. Is that not and what you are doing?—A. It is not always wrong to take an advanced view of any situation. I learned about the railway situation more in 1930, when I represented Canada at the Imperial Conference in London, from the railwaymen, which gave me a cue to write in 1935 on that subject. That is where I got my cue, not from Sir Edward Beatty. If Sir Edward Beatty has been good enough to read some of my stuff—I do not know; I never met the gentleman—all the more credit that a layman was able to see a point a little ahead of the other fellow. I took my overalls off on Friday night to come down here to place my views before this Committee. I will go back to the overalls again when I am finished here. I am no paid servant of anybody, except for the work I do in the C.P.R. shops. Next to coal mining and gold mining, it is the hardest job in the world, so I have not chosen an easy way out. If all the crime that is being laid at my door for being paid for doing this work was true, I do not think I would be splitting nuts for the C.P.R. to-morrow morning, or whenever I go back; I would be taking an easier way out to make a living. Fortunately, it is not true. I feel sorry, honestly, gentlemen, for any public man, I don't care who he is, who probably strikes a new trail. He generally gets the whole herd against him, biting at his heels, accusing him of what they would do under similar circumstances. I was told by my mother, "As people act themselves, they judge their neighbours." I think that fits very well to-day. I felt very incensed at the statement made by Senator Murdock

that I was in the pay of anybody. The people whom I spring from don't do things that way, never did and never will, and I hope that Mr. Murdock will retract that statement.

Hon. Mr. MURDOCK: Not a chance.

The WITNESS: I will make him retract it, on the public platform or any place he likes. I would not say anything about him. His experience in the labour movement is far from being as good as mine; I have been in it since I was thirteen years old. But I don't want to go into that here now; I want to treat this Committee with the decorum it deserves. I want to express my opinion on things that I know something about. I am a C.P.R. worker, and the C.P.R. worker is suffering more to-day from the lack of efficiency in railway operation than the C.N.R. worker, because we can't pick papa's pocket at the end of the year.

By Mr. Biggar:

Q. Perhaps you will tell us why the C.P.R. employees are suffering more than the Canadian National employees on that account?—A. Because the privately owned railways has got to cut their expenses to the bone, and the other railroad doesn't have to do that.

Hon. Mr. CALDER: It has got papa's pocket nearby.

By Mr. Biggar:

Q. Do you mean to say that the Canadian National employees are being better paid to-day than the Canadian Pacific employees?—A. Yes, I do.

Q. Develop that a little. Tell us how that comes about. The rates are the same, are they not, Mr. Meikle?—A. The rates are the same. And in addition to the rates of pay being the same, the Canadian National employees are allowed one week's holiday with pay.

Q. And the Canadian Pacific are not?—A. No. They have a pension fund that is non-contributory, and we have not. And I think if you went over the unit system of the railways you would find more employees per unit in the C.N.R. than on the C.P.R.

Q. Do you mean to say that where you have similar conditions—for example take the shops that do the repairs and so on for rolling stock in the West—that we could find, if we examined two comparable shops in the West, that the Canadian Pacific shop's unit costs were lower than the Canadian National's?—A. I think that would be right, sir.

Q. Would that agree with your observation of those shops in Winnipeg and about Winnipeg?—A. I think that would agree with my contention, that the C.N.R. employees are more favoured than we are.

Q. Is there any other way in which the Canadian Pacific employees are suffering by comparison with the Canadian National employees, apart from holidays and non-contributory insurance?—A. That is a very tangible way, sir.

Q. I know.

By Right Hon. Mr. Meighen:

Q. And they get more liberal terms of employment?—A. Yes sir. We work ten days a month, sir, and the Canadian National work five days a week, for instance.

By Mr. Biggar:

Q. Do you mean to say that the average number of days that the Canadian National shops in Winnipeg, for instance, and around there have worked has been larger, over a considerable period, than the number of days for the Canadian Pacific shops?—A. Yes, that is a fact.

[Mr. Allan Meikle.]

Q. We could find out exactly what the position was with regard to that?—A. Yes sir.

Q. Is there any other factor?—A. No. These are the main factors that affect labour. We are subject to layoffs because the funds accruing from the railway industry are not sufficient to pay us. The natural tendency, when there is not sufficient funds to pay you, is to speed up on the job, which tends to exploitation.

By Hon. Mr. Robinson:

Q. I am going to ask about this question of propaganda. Senator Calder referred to it. I had the impression, from reading the newspapers and listening to speeches over the radio, that about seven-tenths of it was by the Canadian Pacific—perhaps more than that, because it seems to me there has been very little by the Canadian National. It has been argued that public employees must hold their tongues. Mr Fairweather has made one or two speeches, and the others have made a hundred.

Hon. Mr. PARENT: The witness is speaking about the West only.

By Hon. Mr. Robinson:

Q. Is it not just possible that there are two sides to this question and that the members of this Committee should be enlightened about the other side? Those who know the other side should not be absolutely barred from giving us their ideas, should they? What do you think about that? Should one side be allowed to go broadcasting all over the country, creating public sentiment, and the other side not be allowed to say a word?—A. I have not seen propaganda by the Canadian Pacific.

Q. How long have you been blind?—A. I never was blind. I saw many instances, in papers in Canada, against unification, accusing Mr. Beatty of all the crimes that is known to the human family.

By Hon. Mr. Hugessen:

Q. You live in Winnipeg, not in Montreal. If you lived in Montreal, it would be the other way around.

By Hon. Mr. Robinson:

Q. You have seen a great deal of Canadian National propaganda but not very much of Canadian Pacific propaganda? Is that what you say?

Hon. Mr. HAIG: That is true of Winnipeg. On the radio there you hear the Canadian National all the time, and never the Canadian Pacific.

Hon. Mr. PARENT: That is not true of Quebec.

Hon. Mr. CALDER: I have never heard anybody except Sir Edward himself, and I listen in on the radio all the time.

By Mr. Biggar:

Q. I would like you to carry that comparison a little further. There are a large number of shop employees on the Canadian Pacific, and an equally large number on the Canadian National, in Winnipeg or at least in your part of the world?—A. Yes.

Q. Apart from the One Big Union, which is affiliated with your Federation, so far as the Committee have learned the employees are practically unanimous against anything in the way of unified management. Can you explain to the Committee how that is, in view of what you say with regard to less favourable conditions of employment on the Canadian Pacific?—A. Yes. There was a theory advanced three or four years ago and openly espoused by almost every

labour organization, not only railway organizations, that came curiously from some source—I hope you will detect it yourself—that if any unification of the railway were attempted 30,000 railway men would lose their jobs. Now, that bogey man has died a natural death. But every organization became a victim of that propaganda and if you read through the pages of the conventions of different organizations in Canada you will find submissions made on the railway question that unification of the railways would lay 30,000 men off. It was common talk. There were debates about it in the city of Winnipeg, public debates, between Canadian National employees and other citizens. That thing has laid itself quite a lot. Mr. Beatty wrote a letter—I hope the honourable senator will excuse me for calling attention to Mr. Beatty's letter—

Hon. Mr. DANDURAND: I commend you.

The WITNESS: The Canadian Pacific delivered a letter to its employees assuring them that no man would lose his job through unification, that the natural attrition of labour would take care of anything that might happen. Now, I have no reason to believe that Mr. Beatty was not honest in his contention.

By Mr. Biggar:

Q. That makes it more difficult, rather, to understand why there has been so much opposition by labour to unification.—A. No. It has satisfied Canadian Pacific employees to a great extent that that would be the effect, and a different view is being taken of the situation now. You must remember that there is an element in this country opposed to all change, to all methods that would bring some order out of chaos. They are very loud in their declaration, and they generally turn up at meetings and get certain resolutions passed. We have fought them from the beginning and we are fighting them to-day.

Q. But you are really not directing yourself to the point I had in mind. Why is it that in view of the fact that this idea of 30,000 men losing their jobs is, as you say, dead, that we still have almost complete unanimity among the railway unions that unified management is to be avoided?—A. Yes.

Q. Why?—A. Because there is still some of the fear left that they would lose their jobs, and because the leaders of the organizations have declared against any change in the railway set-up.

Q. Are there the same organizations in both the Canadian National and Canadian Pacific railway shops?—A. Yes.

Q. And would you say that there were minorities in those organizations that were not opposed to unified management?—A. There is a minority in favour of unified management, but the majority is still in favour of things as they are.

Q. Am I right in understanding that you think that that majority persists because of its misapprehensions, as you call them?—A. Yes, I say that.

Q. Which got into the situation early on and have never been removed?—A. Yes sir.

Q. That is the explanation?—A. Yes, I think that is right, sir.

Q. That is the only explanation that you can suggest?

By Right Hon. Mr. Meighen:

Q. Which class of workers would be in the majority in the organizations, the Canadian National or the Canadian Pacific?—A. The Canadian National. They have more men than we have. For instance, sir, I quoted the agreement of the American Union across the line who have signed up their names to this document, in 1936, with provision for workers who may be affected by unification. But on this side of the line the same organization refused to discuss the matter at all.

[Mr. Allan Meikle.]

By Mr. Biggar:

Q. Mr. Meikle, perhaps you can tell the committee about those conditions that you speak of in which the Canadian Pacific Railway service differs from the Canadian National. Are they general or were you attempting, as I was, to confine them to shops that they run through the running trades?—A. No, the shop crafts.

Q. Would you not say anything about what was outside the shop crafts?—A. No.

Q. I thought so. That is what you know yourself?—A. Yes.

By Hon. Mr. McRae:

Q. Mr. Meikle, would you say that as a general proposition employees working for a private corporation under the pressure of necessity are going to do a little more work than employees working for a corporation owned by the Government who know they can get any deficit made up at the end of the year?—A. My contention is this, that in the Government-owned railway where an appeal can be made to the politicians, as it were—can I use that word?

Q. Sure.—A. When a lay-off takes place on the C.P.R., for instance, quite necessarily when a similar lay-off takes place on the C.P.R., the wires get busy, the politicians get busy—and votes are a very important part of our political life yet—with the result that the lay-off is never as hard there as it is in the privately-owned railway, because we have not so many friends there in the political arena.

By Hon. Mr. Parent:

Q. But they have enemies also?—A. Yes; but if we could take the football—if we could stop the politicians from kicking that ball from pillar to post, we might get a solution even at this late date.

Q. That is not very convincing.

By Hon. Mr. McRae:

Q. I was trying to get your opinion of whether human efficiency is better for a private corporation than for a Government-owned corporation: boiled down, that is it?—A. You want to ask if in private industry there is more efficiency.

Q. Yes.—A. Yes, I would say so.

Q. That is what I wanted to know.

Hon. Mr. DANDURAND: I may say I have quite an authoritative statement that the Canadian National has been demonstrated to be as efficient as the Canadian Pacific.

Hon. Mr. McRAE: I wanted to get Mr. Meikle's idea on that because he seems to know about those matters, and I thought his opinion would be valuable to us.

Hon. Mr. PARENT: Of course, the Canadian National people won't admit that.

Hon. Mr. DANDURAND: I am told by railway representatives that Mr. Best is here. I think we heard him last year. I do not know on what point he wants to be heard. If what he has to present is to be a repetition of his statement of last year, I should hesitate to suggest that he be heard. Is he here?

Hon. Mr. MURDOCK: Yes.

The CHAIRMAN (Hon. Mr. Beaubien): Mr. Best, will you answer that question, if you please, by Hon. Senator Dandurand?

Mr. WILLIAM L. BEST took the stand as a witness.

The WITNESS: What was the question, Senator?

By Mr. Biggar:

Q. The question was whether, Mr. Best, you desire to say again what you said last year, or whether you want to make some fresh submissions.—A. Oh, no, we are not going over the submissions of last year at all. We made a request for hearing because we did not know just how far the re-appointed committee intended to go in their investigation. Inasmuch as I received a communication from the secretary of your committee, when I returned to the city at the end of the week my friends and I put together a few thoughts. It is only a few pages and will take but ten minutes to read.

Q. They are really no fresh submissions you desire to make to the committee?—A. No, I think not.

Q. Nothing in view of what has been said to-day?—A. No.

By Hon. Mr. Murdock:

Q. Mr. Best, have you not a resolution that was dealt with in January or December last?—A. Yes, that may be of information to the committee, more particularly in view of some previous observations; but our memorandum is not prepared in view of any observations made by any person else.

Right Hon. Mr. MEIGHEN: He certainly may file the resolution.

The CHAIRMAN (Hon. Mr. Beaubien): Yes. Would you like to file it?

The WITNESS: All right.

By Hon. Mr. Parent:

Q. It will not take very long to read?—A. It won't take over five minutes. I have copies here for the members of the committee.

The CHAIRMAN (Hon. Mr. Beaubien): Shall Mr. Best read the resolution and be allowed to file the whole memorandum, so that it may be printed in our proceedings?

Some Hon. MEMBERS: Carried.

Mr. BEST: This is our submission, Mr. Chairman:—

MEMORANDUM SUBMITTED BY THE CO-OPERATIVE LEGISLATIVE COMMITTEE OF THE STANDARD RAILWAY LABOUR ORGANIZATIONS

TO THE

SPECIAL RAILWAY COMMITTEE OF THE SENATE REAPPOINTED TO INQUIRE INTO AND REPORT UPON THE BEST MEANS OF RELIEVING THE COUNTRY FROM ITS EXTREMELY SERIOUS CONDITION AND FINANCIAL BURDEN CONSEQUENT THERETO.

OTTAWA, Ontario, March 21st, 1939.

HONOURABLE GENTLEMEN:

On June 21st, 1938, there was submitted to your Committee on behalf of railway labour a Memorandum of Comments and Recommendations touching the subject of your inquiry. That Memorandum reviewed previous submissions on behalf of railway labour to the Senate Committee in November 1932 when dealing with the Report of the Royal Commission on Railways and Transportation in Canada, known as the "Duff Report"; it summarized the principles supporting labour's recommendations, and those which had been

[Mr. W. L. Best.]

implemented; also reviewed important phases of the Duff Report and the extent to which its recommendations had been implemented by legislation, or other Government action. It also dealt, at some length, with "Contributing Factors to the Railway Situation," particularly competitive transport agencies—such as highways, airways and waterways, all being heavily subsidized from public funds—constitutional limitations and traffic conditions. It also dealt with "Unification and its Effects on Human Welfare and National Economy," emphasizing the human factor in the railway industry, labour's experience with amalgamation, labour's claim for compensation, community and national interest, etc.

In the "Introduction" of that Memorandum, it was pointed out that as representatives of the long established Railway Labour Organizations, our submission might be accepted as expressing the view of the vast majority of railway workers; that the welfare of that large group of our citizens and their dependents is definitely bound up with the destiny of our railway industry and the progress of the communities which it serves; also that because of the peculiar tasks of railway workers, fraught with danger and individual responsibilities demanding initiative, the efficiency of service and cost of operation depends largely upon their loyalty and contentment.

In our "Concluding Comments," reference was made to the huge financial obligations which had been inherited by the Canadian National Railways and expressed the view that this obligation was a burden which properly belonged to the people of Canada as a whole; that this debt was charged to the Canadian National Railways and recognized as a burden which could not be liquidated from the operation of the property; that view being contended as sound, having regard to the fact that a large percentage of the railway was built and operated for public service for which no return on investment was anticipated. That a large part of the money so invested should be regarded as lost was also the view expressed in the Report of the Duff Commission. It was further contended that to segregate our railways from other forms of transport for investigation in search of economies to maintain fixed charges on inherited debt, without regard for the value of national economy and public service, could not produce an equitable and lasting solution. Any benefits attained by such a course must be purchased at the sacrifice of those of our people who are dependent upon railway operation for employment and service. This would transfer the burden of inherited and accumulated debt from our Canadian people as a whole to the relatively small number affected, who are chiefly railway employees and residents in the communities which owe their existence to railway operation.

In our "Summary and Recommendations," in addition to urging compensation protection for those employees displaced as a result of co-operative measures, we had definitely in view the ultimate and early adoption of an economical sound national transportation policy when we contended that the best means of relieving Canada of its financial burden consequent to the railway situation is for the Federal Parliament to first become clothed with the necessary legislative competence to enable it to deal effectively by regulation and control of all forms of transport of passengers and freight for hire as works for the general advantage of Canada. In submitting those recommendations it was fully recognized that existing constitutional limitations would require appropriate amendments to the British North America Act. However, we were somewhat encouraged by the subsequent resolution adopted by the Senate, just before prorogation, instructing Council to inquire into the Quebec Resolutions and other instruments on which the B.N.A. Act was based, the various Decisions of the Privy Council, etc., in order to determine the intent and purpose of the several subjects therein assigned to the Federal Parliament and the Provincial Legislatures, respectively.

Since our previous submission of June 21st last, we have found further support for the recommendation above referred to in more recent developments in both England and the United States. In England, we understand, the railways have found that a more orderly and complete regulation of all forms of transport including highways is essential to a sound national transportation policy. This is now recognized, despite the experience of previous co-ordination of the several railways into four groups. In the United States the Committee of Six, appointed on September 20, 1938, by the President to submit recommendations upon the general transportation situation, made a comprehensive Report on December 23, 1938. The first in the Summary of Recommendations of that Committee reads:—

"National Transportation Policy. Adoption by the Government of a definite national transportation policy providing for fair, impartial regulation of all modes of transportation, so administered as to preserve the inherent advantages of each."

Owing to the growing sense of insecurity resulting from publicity given proposals made to your Committee and the persistent agitation carried on since prorogation of the last Session of Parliament in support of unification, our Committee deemed it desirable to call together representatives of the various classes of railway labour throughout Canada, particularly those employed on the Canadian National and Canadian Pacific Railways. Accordingly the General Chairmen of those two Systems, with the Dominion Legislative Representatives and Vice-Presidents of the Standard Railway Labour Organizations met in Ottawa, January 9, 10, 11, 1939.

Ninety-three representatives attended that conference.

By Hon. Mr. Murdock:

Q. How many organizations?—A. Eighteen.

By Hon. Mr. Hugessen:

Q. Was it a unanimous resolution?—A. I think it was practically unanimous. I would not say one did not vote against it for some particular reason, but as far as I know, it was unanimous.

The purpose of the meeting was to review our submission of June 21, 1938, and to ascertain the views of railway labour in the light of current developments. After a full discussion that meeting reaffirmed our former submission by the adoption of the following resolution:—

This Joint Conference representing the Standard Railway Labour Organizations, after an exhaustive survey of the situation desires to reaffirm its previous decisions:

That the best means of relieving Canada of its financial burdens consequent to the railway situation is for the Federal Government to become clothed with the necessary legislative competence to deal effectively by regulations and control of all forms of transportation of passengers and freight for hire, together with a like legislative competence to deal with all related factors in transport enterprises within the Dominion of Canada.

The whole transportation problem must be considered in all of its co-related divisions. To segregate the railways for investigation without due regard to the conditions existing in all the other competitive means of transport cannot be productive of a sound or satisfactory national transportation policy that would reduce the burdens or be in the best interests of the people of this country—and would only further cause untold sacrifice by those employed in the railroad industry. The gains resulting from such a policy would be disproportionately distributed among the few financial interests involved.

[Mr. W. L. Best.]

We are not prepared to accept any proposals in the spirit that they, because of conditions, will inevitably be forced upon us. We are firmly of the opinion that any program of co-ordinating, consolidating, unifying or amalgamating the whole or any part of the various railroad systems is not the best means of solving the problem, and we are determined in our opposition to any such proposals; and we further reiterate our opposition to unified management and compulsory co-operation and that our Legislative Committee be instructed to continue their activities to meet the desires of the men in railroad service.

For the purpose of carrying out the direction of the above Resolution, the General Meeting appointed a Co-Operative Legislative Committee composed of one officer from each of the eighteen Standard Railway Labour Organizations there represented. We express the hope that the recommendations contained in our previous submissions will have favourable consideration in any conclusions reached by your Committee.

The question of the numerical strength of the several labour organizations having been the subject of recent consideration by your Committee, it would appear appropriate that a brief reference thereto be made at this time. Apparently the figures shown on page 3 of the Proceedings of March 15, 1939, are substantially correct in so far as the reported membership is concerned. It should be recognized, however, that these organizations being parties to working agreements covering the service of employees in the respective classifications represent all employees comprised within those agreements, whether members or non-members. Our records indicate there is a total membership of about 80,000 railway employees in the eighteen organizations represented by our Committee; but a conservative estimate would place the total railway employees represented at something over 90,000.

In anticipation of making our submissions at a later date, we had recently undertaken the preparation of some statistics directly bearing upon wages and increased productivity of railway employees, but that data has not been completed. If it will assist in your inquiry, we shall be pleased to supplement this brief submission.

CO-OPERATIVE LEGISLATIVE COMMITTEE

Mr. Kelley is chairman, Mr. Talon is vice-chairman, and your humble servant is secretary.

The CHAIRMAN (Hon. Mr. Beaubien): Thank you, Mr. Best.

By Hon. Mr. Parent:

Q. You represent ninety thousand people?—A. I think approximately that, yes.

Q. You have heard Mr. Meikle say he represented about fifty-two thousand. Are the figures given by him correct?—A. I would not say. I would not want to go on record as saying anything against what any previous speaker has said.

Q. What do you say about it?—A. I didn't understand the previous speaker to say he represented railway employees at all, or any employees holding railway contracts.

By Rt. Hon. Mr. Meighen:

Q. He is a member of one of the federations which is in the organization, in addition to being a member of one that is out. He is also a C.P.R. employee.—

A. Yes.

Q. It is hardly likely that he is the only one.—A. The only what, sir?

Q. The only railway employee in the organization.

Hon. Mr. DANDURAND: But he does not, as I understand, represent any railway organization.

Right Hon. Mr. MEIGHEN: He is a railway employee.

Hon. Mr. DANDURAND: As a railway employee he represents himself.

Right Hon. Mr. MEIGHEN: He is in the transport organization.

Hon. Mr. DANDURAND: Is that a railway organization?

The WITNESS: Senator Meighen, let me make this clear. I am not going to attempt to review any figures submitted by the previous speaker at all, but I want to clarify this. I did not understand the previous speaker to say he represented any railway employees as an organization who held a working agreement with the railway officers.

Right Hon. Mr. MEIGHEN: Oh, no.

The WITNESS: That is the point I am trying to make. It is assumed, whether a locomotive fireman happens to belong to our organization or not, our organization and its officers having contracts with the railway companies are the accredited representatives of that class. I therefore speak for them.

By Rt. Hon. Mr. Meighen:

Q. I think that is a fair way to put it. But would it be an unfair assumption that the opinion of labour outside the railways might be a more unprejudiced opinion than the opinion inside the railways?—A. The only answer I can make to that is that in our submission in June last we were speaking for the Trades and Labour Congress of Canada, including all organized labour represented therein.

Q. Did that include railways?—A. That included the eighteen organizations we are now speaking for.

Q. They might be predominant.—A. We were endeavouring to speak for all the groups. There is a distinction between the labour represented in the standard organization and the railway employees represented by the eighteen standard organizations.

I just want to make one observation. Since the sitting last year I have had the opportunity, I think, of looking into the faces of more railway men in Canada than any other individual in this room, because I have met them in meetings of as many as five hundred. They have been confined to the so-called running trades. They have been open meetings—not public meetings—of all classes, including shop men, car men, track men, the running trades, and so forth; and I want to say with a good deal of apprehension that never in my experience of forty odd years with railways and railway men in Canada have I ever sensed as much unrest as exists to-day on both railways. And that is not healthy.

Q. That applies to every other class too.—A. It does. But the thing I have mentioned is doing more than anything else, in my judgment and in the judgment of many who have an opportunity to observe, to retard recovery. A man who wants to buy an overcoat or a dress for his wife is on the ragged edge. That goes all down the line from Halifax to Victoria, and I have been in all these places, including Prince Edward Island.

Q. And it is true outside of the railways.—A. Yes.

By the Chairman (Hon. Mr. Beaubien):

Q. Would not that also be caused by the results of railway operation? Don't you think they are very discouraging?—A. I think you will agree, senator, that the apprehension of not having economic security, or of losing one's economic security, is perhaps one of the greatest causes.

Right Hon. Mr. MEIGHEN: But it is everywhere.

[Mr. W. L. Best.]

By the Chairman (Hon. Mr. Beaubien):

Q. But have they not experienced that time and again during the last year?—A. Yes, but I think it has been intensified. That is my observation, anyway.

I thank you very much gentlemen.

The CHAIRMAN (Hon. Mr. Beaubien): Gentlemen, other people have asked to be heard. Mr. Peterson, I understand, has been notified to be here on the 29th. We have been sitting for several hours now and I suppose it is all right if we adjourn until the 29th.

Right Hon. Mr. MEIGHEN: At 10.30.

The Committee adjourned until Wednesday, March 29, at 10.30 a.m.

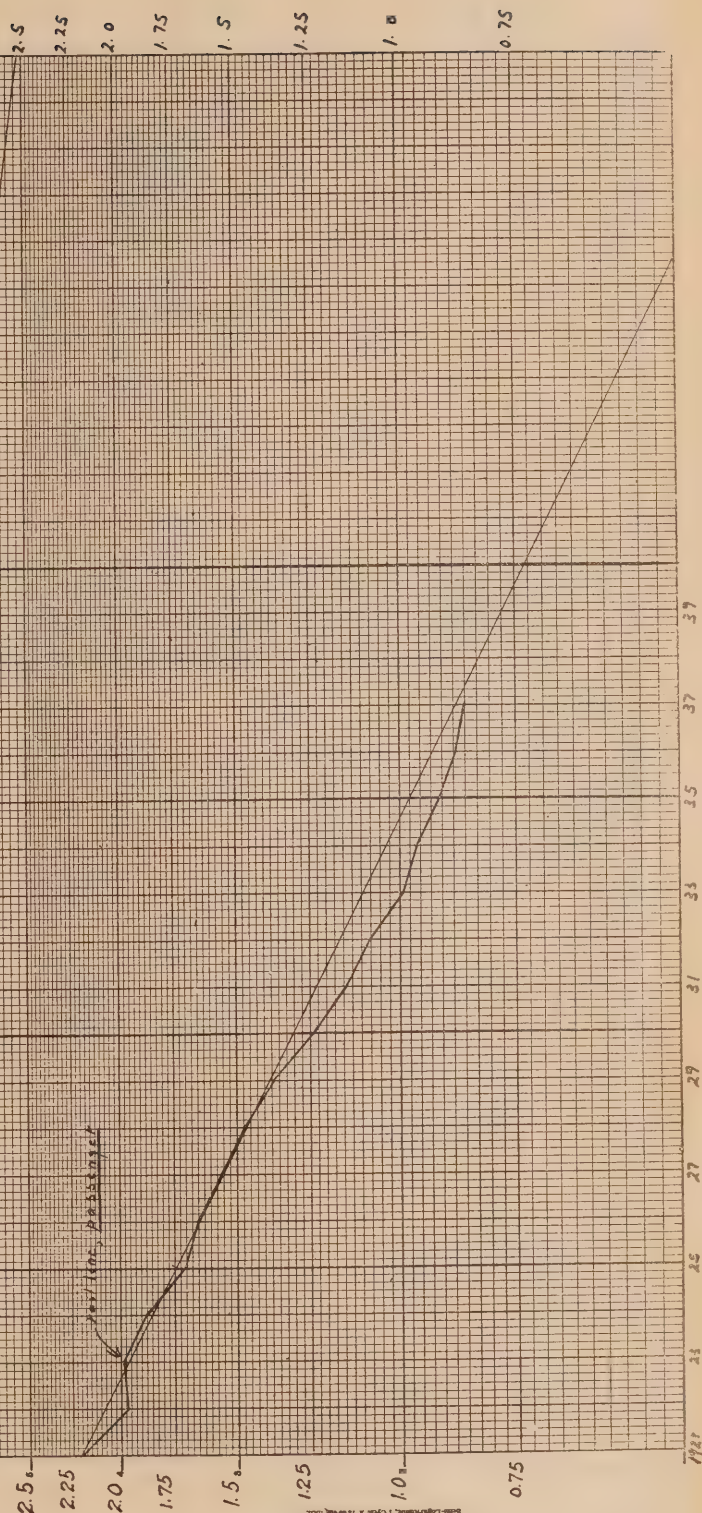
Passenger
ScaleFreight
Scale

Steam Railways of Canada

Gross Earnings as a Percentage of the National Income Produced, 1920-37

Freight Scale

Passenger Scale

Reverts to page 60, p. 1, no. 100-101
Base: 100,000,000, 1920 X 100,000,000

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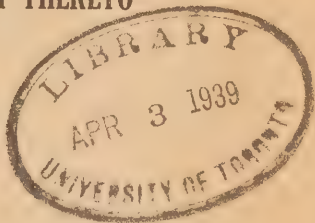
OF THE

SPECIAL COMMITTEE

Appointed to

ENQUIRE INTO AND REPORT UPON THE BEST MEANS OF RELIEVING THE
COUNTRY FROM ITS EXTREMELY SERIOUS RAILWAY CONDITION
AND FINANCIAL BURDEN CONSEQUENT THERETO

No. 3



The Right Honourable George P. Graham, P.C., and
the Honourable C. P. Beaubien, K.C.,
Joint Chairmen

WITNESS:

Mr. Charles W. Peterson, Publisher, The Farm and Ranch Review,
Calgary, Alberta.

ORDER OF APPOINTMENT

(Extracts from the Minutes of Proceedings of the Senate for March 7, 1939)

Resolved,—That, with a view of completing the inquiry pursued during last session by the Special Railway Committee of this House, and preparing and submitting an adequate report on such inquiry, this Special Committee be re-appointed with a view to inquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, with power to send for persons, papers and records and that the said Committee be re-appointed with the same personnel and, therefore, that it consist of the Honourable Senators Beaubien, Black, Buchanan, Calder, Cantley, Côté, Dandurand, Graham, Haig, Hugessen, Horsey, Jones, Hardy, McRae, Meighen, Murdock, Parent, Robinson, Sharpe and Sinclair.

MINUTES OF EVIDENCE

THE SENATE

WEDNESDAY, March 29, 1939.

The Special Committee reappointed to inquire into and report upon the means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, met this day at 10.30 a.m.

Right Hon. Mr. Graham and Hon. Mr. Beaubien, Joint Chairmen.

Colonel O. M. Biggar, K.C., Counsel to the Committee.

The CHAIRMAN (Right Hon. Mr. Graham): Are we ready to proceed?

The CHAIRMAN (Hon. Mr. Beaubien): Certain communications have come to the Committee, and perhaps Mr. Biggar will be kind enough to read them or explain them.

Mr. BIGGAR: Mr. W. B. Chase, Assistant Grand Chief Engineer of the Brotherhood of Locomotive Engineers, writes to Senator Beaubien under date of March 22, saying that Professor McDougall, if correctly reported, made a number of incorrect statements, and he asks an opportunity to appear before the Committee in order to refute these.

Right Hon. Mr. MEIGHEN: He says, "If correctly reported." May be he was not. How would it be to send him a copy of the evidence, and then if he wants to be heard he could come.

Hon. Mr. DANDURAND: I suppose that gentleman represents the members of the railway fraternity who are in the higher brackets.

Hon. Mr. McRAE: The running trades.

Mr. BIGGAR: I dare say that there is no doubt about the correctness of the report, because there is also a communication from Mr. Norman S. Dowd, Secretary-treasurer of the All-Canadian Congress of Labour, addressed to Mr. Hinds on March 22, saying that that Congress desires to be heard, particularly with respect to the representations made by Professor McDougall and Mr. Allan Meikle.

The CHAIRMAN (Hon. Mr. Beaubien): Gentlemen, the matter of wages is a very important one, no doubt, to the railways. We have heard Professor McDougall, and the railway people come to us and say they can contradict what he has said. This is such an important phase that it seems to me we ought to allow Mr. Chase to come and contradict him.

Right Hon. Mr. MEIGHEN: What about the other fellow?

Mr. BIGGAR: Here is another letter. It is from Mr. Best, whom the Committee have already heard, on behalf of the Co-operative Legislative Committee of the Standard Railway Labour Organizations. His letter is dated the 23rd, addressed to the Chairmen and members of the Committee. He says that some of the statements contained in Professor McDougall's submission will inevitably convey to the Committee an erroneous and misleading impression, and therefore he hopes that in fairness to thousands of railway employees an opportunity will be granted to their representatives to prepare and submit an appropriate reply.

Right Hon. Mr. MEIGHEN: I think that is reasonable. Mr. Best was here and he therefore knows what Professor McDougall said. And he was the first to come.

Mr. BIGGAR: The representative of the All-Canadian Congress of Labour was also here, I think.

Right Hon. Mr. MEIGHEN: Could not Mr. Best, or some other one man, speak for all of them?

Hon. Mr. MURDOCK: You are forgetting that the All-Canadian Congress and the running trades are separate and distinct organizations.

Right Hon. Mr. MEIGHEN: This is one case, though.

Hon. Mr. MURDOCK: But surely they have their own viewpoints, or they would not be in two separate organizations.

Right Hon. Mr. MEIGHEN: But there are no two viewpoints on this.

Hon. Mr. CALDER: There might be a lack of co-operation.

Hon. Mr. MURDOCK: I sat here the other day, and although I am not an engineer and never was, I knew that misstatements were being made and being put over, so far as most of the members of this Committee were concerned. I think Mr. Chase, as a representative engineer who has run on our Canadian railways for years, ought to be given an opportunity to place the other point of view before the Committee.

The CHAIRMAN (Hon. Mr. Beaubien): Perhaps he would be preferable to the other gentleman.

Hon. Mr. McRAE: Mr. Chairman, it seems to me that there is a straight division of opinion among the running trades. Professor McDougall's statement was very interesting to us, and I think in all fairness we ought to hear the other view of the running trades.

Hon. Mr. MURDOCK: Mr. Chase is an assistant grand chief of the engineers' organization. Many of the statements that were made here the other day were about the high earnings of the engineers.

Hon. Mr. PARENT: Locomotive engineers.

Hon. Mr. MURDOCK: Mr. Best represents eighteen of the railway organizations, and Mr. Dowd represents the All-Canadian Congress. These two gentlemen would have different viewpoints.

The CHAIRMAN (Hon. Mr. Beaubien): Could we not have someone to present a common point of view?

Hon. Mr. MURDOCK: I do not see how it is possible.

Hon. Mr. BLACK: I do not think it is necessary to hear Mr. Best again, but I think we should hear Mr. Chase, in reply to what Professor McDougall said.

Hon. Mr. ROBINSON: I understood that Mr. Best only asked permission to prepare a statement.

Hon. Mr. BLACK: He could do that.

Hon. Mr. DANDURAND: Could we not suggest to these gentlemen that they prepare a concise statement of their reactions to the submission of Professor McDougall? That would give them a chance to lay their views before the Committee.

Right Hon. Mr. MEIGHEN: I would hear at least one of them, too.

Hon. Mr. CALDER: Mr. Chairman, we have evidently got a controversy on our hands. It seems to me that if Professor McDougall's statements are attacked, he should at least be asked to be present when evidence is being taken against what he said.

The CHAIRMAN (Hon. Mr. Beaubien): Of course, that could easily be attended to.

Hon. Mr. CALDER: He should be told that witnesses are being called to reply to certain statements he made. I think that all these people should be present, and that we ought to clean the matter up.

Hon. Mr. DANDURAND: The Canadian National representative, who was to be here to-morrow to tell us about the lean lines of his road, may not be able to come, because he was sick all last week. So we could devote to-morrow to hearing labour representatives. I suggest that these gentlemen be asked to be present to-morrow.

The CHAIRMAN (Hon. Mr. Beaubien): I understand the Canadian Pacific were to deal with the lean lines to-morrow too.

Mr. BIGGAR: They were not asked to submit any statement on that.

Hon. Mr. COTÉ: Did we not ask the Canadian Pacific to indicate their lean lines too?

Hon. Mr. DANDURAND: No. But they can do so.

Hon. Mr. COTÉ: Surely they are part of the railway problem, too?

Hon. Mr. DANDURAND: There is no intention of eliminating the Canadian Pacific. If they want to tell us about their lean lines, they will be welcome to do so.

Hon. Mr. COTÉ: It has not been indicated to them that that would be useful.

Hon. Mr. DANDURAND: No. We had intended to give the Canadian National a field day to-morrow, to show us their lean lines, that is their unproductive lines, and their productive lines also.

Right Hon. Mr. MEIGHEN: Do you say they cannot go on to-morrow?

Hon. Mr. DANDURAND: I am afraid not, because the gentleman in charge of this work was in hospital, and has only just come out. That is Mr. Fairweather.

Right Hon. Mr. MEIGHEN: I do not think the Canadian National can say a word without him. I agree with you on that.

The CHAIRMAN (Hon. Mr. Beaubien): As to the answer to Professor McDougall, shall we, as suggested, ask Mr. Best to file a statement—that was all he wanted to do—and then hear Mr. Chase?

Right Hon. Mr. MEIGHEN: And let the others file a statement too.

Hon. Mr. DANDURAND: And have the representatives here, in case we want to cross-examine them.

Hon. Mr. HUGESSEN: I am told that Mr. Dowd represents the All-Canadian Congress of Labour, which has not been heard yet. Since we have heard one organization, represented by Mr. Meikle, why not hear the other?

Hon. Mr. DANDURAND: Since Professor McDougall ought to hear what is said in reply to his submission, the representatives themselves will have to be here to present their statement.

Hon. Mr. MURDOCK: Mr. Chase just whispered to me that while he has most of his matter dictated, he thought he would not be called until some time next week and therefore he would not be ready to-morrow. His office is in Montreal.

Hon. Mr. PARENT: Next week will be Easter-time. I do not know if anybody will be here then.

The CHAIRMAN (Hon. Mr. Beaubien): Gentlemen, it is your opinion that we ought to hear also the representative of the All-Canadian Congress?

Hon. Mr. ROBINSON: Hear him.

The CHAIRMAN (Hon. Mr. Beaubien): And be as wide as possible? Is that your opinion?

Hon. Mr. McRAE: To-morrow, yes.

Hon. Mr. MURDOCK: Mr. Chairman, would you ask Mr. Chase now whether he could go on to-morrow?

The CHAIRMAN (Hon. Mr. Beaubien): We could not notify Mr. McDougall in time to have him here to-morrow.

Mr. BIGGAR: The representative of the All-Canadian Congress of Labour will be ready to-morrow.

Hon. Mr. DANDURAND: We will ask Mr. Chase if he will be ready to go on to-morrow.

Hon. Mr. COTE: Mr. Chairman, are we to understand that these labour men will limit their evidence to the subject-matter of Professor McDougall's submission to us, or are they going to reopen the question of unification, amalgamation, and all that kind of thing?

Hon. Mr. PARENT: And the Montreal terminals.

The CHAIRMAN (Hon. Mr. Beaubien): Of course we, as Chairmen, are here to do what you want.

Hon. Mr. COTE: I was just asking what was intended.

The CHAIRMAN (Hon. Mr. Beaubien): In order to enlighten you, I am trying to find out what the intention of the Committee is.

Hon. Mr. DANDURAND: I should like to answer Senator Cote's question. I took for granted that we would hear the two railway companies on the lean lines, and we were giving a day to the Canadian National. We will give a day to the Canadian Pacific, if they want it. We would also devote attention to inquiring what the two railways have done since the first of July under the 1933 co-operation Act. And, of course, if any member desires, he can ask about the terminals in Montreal.

Hon. Mr. COTE: My question is a bit different from that. I was referring to these labour men who are to appear before us. Will they want to deal with the general issues that we were discussing last year, or will they limit their evidence to rebutting what Professor McDougall said?

Hon. Mr. HUGESSEN: And Mr. Meikle.

Hon. Mr. MURDOCK: There are several new bags of tricks opened up here by Professor McDougall.

Hon. Mr. HUGESSEN: Mr. Meikle really rebutted evidence that we heard last year.

Hon. Mr. DANDURAND: We should not repeat.

Right Hon. Mr. MEIGHEN: Mr. McDougall brought in something new, that we had not had before. It is only fair that we should be pretty generous in allowing an answer to that. Mr. Meikle, on the other hand, presented only his views on the matter of unification, and so on.

Hon. Mr. DANDURAND: We had closed our investigation on that when Mr. Meikle came in. If any new points were opened by him, of course an opportunity should be given to anyone who wishes to answer him.

Right Hon. Mr. MEIGHEN: Of course, if there are any new points.

Hon. Mr. DANDURAND: I took it that Mr. Meikle was expressing the views that Sir Edward Beatty expressed to the Committee. I do not remember if Mr. Meikle went outside the arguments for unification that we had already heard. But if he made any statement which is new, of course it is not sacrosanct, and may be rebutted.

Hon. Mr. COTE: So far as unification or amalgamation is concerned, I do not think we are going to get very much more help from the labour organizations. We know their views and, with the exception of Mr. Meikle, they are against it. I do not think we should lose a lot of time hearing repetitions.

Hon. Mr. PARENT: We have already lost half an hour doing nothing.

Hon. Mr. COTE: Mr. McDougall's memorandum was not only important but new and very interesting. If his statements are not true we ought to give the labour people an opportunity to contradict them. The question is so important that we should exhaust it, but if the labour men appear they should limit themselves to that wage problem. With that understanding the evidence will be shorter.

Hon. Mr. MURDOCK: Mr. Meikle stated that all the junior C.P.R. employees were opposed to the representations made by the labour organizations, and I understood him to suggest that those junior employees were in favour of unification.

Hon. Mr. COTE: That could be denied in one minute.

Hon. Mr. DANDURAND: We should limit their statements to some new point and not reopen the whole question, which has already been discussed by them.

Hon. Mr. COTE: That is what I had in mind.

The CHAIRMAN (Hon. Mr. Beaubien): Gentlemen, do you want to hear the All-Canadian Congress simply on the matter of railway wages?

Right Hon. Mr. MEIGHEN: We are going on the principle, where a case is presented we allow one reply.

The CHAIRMAN (Hon. Mr. Beaubien): Is that satisfactory?

Some Hon. MEMBERS: Yes.

Hon. Mr. BLACK: Are we to hear Mr. Chase to-morrow?

The CHAIRMAN (Hon. Mr. Beaubien): I understand Mr. McDougall cannot be here to-morrow. Mr. Best wants to file a memorandum. Shall we allow him to do so?

Hon. Mr. DANDURAND: We should ask him to make it concise, so that Mr. McDougall may know what he is to answer.

Mr. BIGGAR: Mr. Chase says that an opportunity should be afforded to prepare and submit a proper reply, but he does not say that it is to be in writing.

Hon. Mr. McRAE: He would prefer to submit it in person naturally.

Hon. Mr. PARENT: He would be present and make a statement.

The CHAIRMAN (Hon. Mr. Beaubien): Then we will hear Mr. Chase some time next week.

Right Hon. Mr. MEIGHEN: Let them all come to Ottawa.

Mr. BIGGAR: The other communications to which the chairman referred are, first, a telegram from a gentleman who signs "Russell, General Secretary." It is dated Winnipeg, 22nd March, 1939, and appears to have been sent on behalf of the One Big Union. It reads:—

Wrote you March 17th advising that representatives Canadian Federation of Labour had no authority to represent One Big Union in advocating railway unification. One Big Union was not expelled from Federation, but withdrew its affiliation because of persistent actions of Federation officers in advocating unification contrary to the decision of the last convention held Montreal December. One Big Union is opposed to unification and repudiates representation made by Mr. Meikle.

Then I have another telegram, also from Winnipeg, signed by Mr. Armstrong as secretary of the motormen, conductors, busmen, mechanical department employees, track employees, substation and hydro plant employees and gas workers comprising 1,700 workers and who are all members of the One Big Union and employees of the Winnipeg Electric Company. He says that "Mr. Meikle's statement is utterly false. One Big Union was not suspended for non-payment of per capita fees. But severed affiliation because decisions made at the con-

vention held in Montreal in December, 1938, against amalgamation of the railways has not been carried out by the executive board," and so on. It is to the same effect as Mr. Russell's telegram.

The other communication is a long letter from the Citizens' Group for Railway Action.

Right Hon. Mr. MEIGHEN: I read that letter and thought it excellent.

Mr. BIGGAR: Then perhaps I had better read the whole letter.

CITIZENS' GROUP FOR RAILWAY ACTION

611 Temple Building,

TORONTO 2, ONTARIO,

March 27, 1939.

Hon. C. P. BEAUBIEN,

Rt. Hon. GEORGE P. GRAHAM,

Joint Chairmen,

Special Committee of the Senate

Inquiring into the Railway Condition,

Ottawa, Canada.

Honourable SENATORS:

In view of the desire expressed by Senator Murdock to have your Committee investigate the Citizens' Group for Railway Action, I am writing you, in my capacity as President of the Group, to give a frank explanation of the origin and objectives of this organization, and such other information as seems pertinent and not in violation of the confidence placed in us by a number of private citizens of Canada. We note also from the proceedings of March 15th that your Committee is prepared to receive brief memoranda from interested persons or organizations.

If it meets with your approval, it is our request that you have this letter placed on the record, especially in view of continued insinuations by one member of your committee that our Group is in some way connected with or supported by the Canadian Pacific Railway or other organizations actively promoting the cause of railway unification.

In the first place, I wish to state that the Citizens' Group is independent in every sense of the word. It is definitely not supported by the Canadian Pacific and so far as I can discern from a careful scanning of the list of members, there are no members who are or who ever have been known as prominent shareholders in the Canadian Pacific Railway Company. Certainly no director, officer or employee of the Citizens' Group is working in any interest except the interest of the Canadian taxpayer.

We also wish to point out that the Citizens' Group for Railway Action has not advocated unification or any other specific solution of the problem. The organizers of the Group felt that the first objective should be the arousing of the public, to the "extremely serious railway condition and the financial burden consequent thereto." It also was felt that it would be presumptuous for a small organization to make recommendations in the name of the people of Canada to your body or to any other authorities, at least until the membership became large enough to justify a claim that it was truly representative of at least a cross-section of the public in all sections of Canada and all walks of life. For the time being, therefore, we are interested only in helping in the widest dissemination of the facts, and the interesting of the greatest possible number of people in the problem.

It is contemplated that, at some later date, the Group may by a majority vote of its members approve some specific plan for solution, or support and endeavour to win support for, some plan already made public. In short, we feel that if all people had given the study to the problem which your honourable committee has done, it would not be long before the general public, setting aside partisan considerations, would demand the adoption of a plan to solve the problem.

The idea for the organization of the Citizens' Group for Railway Action originated, to the best of my knowledge, with Mr. William M. Bean, treasurer and associate editor of the Waterloo (Ont.) semi-weekly *Chronicle*, a publication of very high standing in its field.

This was in July last, following the prorogation of parliament and the rising of your committee, when it seemed to Mr. Bean and others that the railway question was being obscured, by a feeling on the part of the public that it was merely an argument between two sets of railway officers holding opposing views. As Mr. Bean's idea evolved, it seemed best that the organization's independence should be made evident by barring from membership every person who might, because of interest in his employment, have views one way or the other on the question. We did not think of barring shareholders of the private company, but, if practicable, it perhaps would have been better if we had done so. Our membership would have been one less, at least, for presumably the member of the Montreal Stock Exchange, who joined for five years, is normally a shareholder on clients' account if not his own.

Unfortunately our group had barely completed its provisional organization before it was discovered that some opponents of reform were not above resorting to intimidation against those who might be vulnerable in a business way. It speedily became evident that, for instance, a merchant who numbered among his customers employees of the government railway could expect, if he joined our Group openly, to be subjected to threats of loss of business if not the actual loss of business. For this reason certain persons have supported our work on condition that their names be not made public.

We have at this writing 463 paid members representative of every province and city, not including 25 or 30 individuals who have contributed anonymously. We contend and rightly, we believe, that the financial affairs of the Group are of concern only to its members since we have refrained from making commitments beyond our immediate means. For the protection of members, our books are kept accurately and are audited by a chartered accountant. While, as I have said, we do not believe that the financial affairs of the Group are matters of public concern, I may say that the president and directors receive no remuneration for their services. Salaries and fees are paid only for essential office and field work and are not at all commensurate with the amount of work done.

Aside from public meetings addressed by representatives of the Group, our principal activity has been the publication of "Railway Facts," of which fourteen issues have been mailed, including the first on September 12th, 1938. It is the purpose of "Railway Facts" to help keep the railway problem in the public eye and it has been the constant endeavour of its editors to be accurate in every respect. Any errors that have crept in have been unintentional, and corrected at the first opportunity. We have invited Senator Murdock to cite specific instances of inaccuracies, but, although he has replied to our letter, he has not as yet cited any one instance where we have been wrong.

We believe that it is perfectly within our right to disseminate such information to the public as we see fit, having regard to the law of libel and any other restrictions dictated by good sense and the post office regulations applying to this class of mail matter. It is also, in our opinion, a healthy sign in a democracy that, despite the attempts at intimidation referred to above, there are in this country a Group of citizens willing to lend their names and otherwise support an effort which is designed, wisely or not, to help solve a public problem which has been in need of solving for so many years, and which has not been solved because of the uncompromising opposition of a minority group.

Since the Group has not yet adopted a specific platform for the solution of the railway problem, it is not suggesting that it be heard by your committee, the aims of which are parallel to its own. At the same time if honourable senators feel that it can contribute at the moment anything constructive to the evidence, officers of the group are ready at any time to answer questions which the committee might wish to put.

Meanwhile I am enclosing a copy of the constitution and other relevant material. Any further facts will be readily supplied subject only to the one condition mentioned above.

We are, Honourable Sirs,

CITIZENS' GROUP FOR RAILWAY ACTION,

E. COATSWORTH,

President.

Hon. Mr. MURDOCK: Mr. Chairman, I have been mentioned a couple of times in that communication. I did not start the correspondence with this Citizens' Group of Canadian Pacific Railway shareholders—for that is what I think they should properly be termed—but I wrote a letter and would like to put it on file right now, with the answer. This is the letter:—

MR. DALTON J. LITTLE,
Secretary-Treasurer,
Citizens' Group for Railway Action,
611 Temple Building,
Toronto, Ontario.

DEAR SIR,—I received your letter of March 18th, which I have read with interest, as also your letter of March 17th, to the Editor of the *Winnipeg Free Press*.

Yes, I have been greatly interested, as a result of a number of years' effort, in finding out the underlying causes, at times, of advertising propaganda. Personally, I am more strongly convinced than ever that we should investigate the Citizens' Group for Railway Action, for the reason that, unless I am very much mistaken, that Group contemplates placing an additional burden upon the Canadian taxpayer, of approximately \$32,000,000 a year, being somewhere about the dividend payments that have heretofore been made to Canadian Pacific Railway shareholders, about eighty per cent of whom live outside of Canada. Then too, I am wondering (and I think the Special Railway Committee should know) if some of those largely instrumental in boosting the Citizens' Group for Railway Action, may not be some of our own distinguished Canadian Pacific shareholders. Further, the very distinguished President of your Association, if he were still gracing the Bench, would not, of course, be eligible to lend his name to a movement such as that you have in hand. Perhaps we should inquire into the proprieties under the existing circumstances.

Yes, it could be shown that some of your campaign declarations, as stated in Railway Facts, are, I think, absolutely untrue, and in other cases you prove the truth of the old adage that 'a half truth is worse than a lie,' and now please refer to the lower right-hand corner of your Railway Facts for February 1st. You know, and those associated with you know, how near the Canadian National Railways in that year came to being in the clear, and you know, and everyone associated with you know that, had business continued equally with a few years around 1923, there wouldn't be the same arguments of desperation now being put forth by the Canadian Pacific Railway, to saddle the people of Canada with additional \$32,000,000 of charges that is now in evidence, and that has been so loyally boosted by you and those associated with you. I do not wonder that the Manitoba Free Press takes issue with some of the propaganda that you and your Railway Facts are circulating, but the thing that is of particular interest to me just now, and I hope it may be to a majority of the Committee, is to ascertain just who is behind your insidious attempt to load an additional burden of \$32,000,000 upon Canadian taxpayers.

May I, in conclusion, refer to the second page of your letter of the 17th, to the Winnipeg Free Press, wherein you say "No one can know until that canvass of members is made, whether the plan will be compulsory co-operation on the one hand, or unification on the other, or some other plan which is midway between them". Considering that you have at the head of your organization a very distinguished jurist, I feel sure that you did not consult him before making this statement, and you might now ask him if compulsory co-operation by the Government, as applied to a private corporation, would not be held to imply the equivalent of confiscation, if loss were suffered by the private corporation. Of course the private road would, I am sure, welcome compulsory co-operation, because then all that would be necessary would be for it to throw out its hands and send in its bill, and it would be on the high road to prosperity, or the continued payment of \$32,000,000 worth of dividends. Ask your president about this point, and secure his legal opinion.

There are some special interests who should be smoked out in respect to your campaign, and I personally think that the Special Railway Committee has not done its full duty, if it does not undertake to bring a showdown from you and your distinguished associates.

I got a very brief reply from Mr. Little, dated March 24th, although he had started the correspondence before that. It reads:

Senator James Murdock,
Senate of Canada,
Ottawa, Ontario.

Dear Sir:—We have your favour of the 20th instant, acknowledging our letter of the 18th, for which we thank you.

We have carefully noted your comments and observations. I have been instructed to say in reply that the Citizens' Group for Railway Action is only concerned with the study of the railway situation of this country, and with the dissemination of authentic information regarding this situation to the end that a solution, satisfactory to the majority of Canadian citizens, will be found.

Yours very truly,
CITIZENS' GROUP FOR RAILWAY ACTION
(Sgd.) DALTON J. LITTLE,
Secretary-Treasurer.

Right Hon. Mr. MEIGHEN: Would you mind reading the letter he wrote first so that we can judge how far your letter was in the nature of a reply?

Hon. Mr. MURDOCK: Under date of March 18, he wrote:

Senator James Murdock,
Senate of Canada,
Ottawa, Ont.

My dear Senator Murdock:—We only yesterday received a copy of the Senate Hansard including your remarks of March 8th relating to the Citizens' Group For Railway Action.

On page 63 you are quoted as saying, in connection with literature published by our Group:

"I could quote you some things here—I am not going to do it—from their printed records which could be proved absolutely untrue." I adhere to that statement.

May we assure you that we endeavour to publish only facts regarding the serious Canadian railway situation and if there have been errors of fact in any of our publications, we are only too anxious to correct them. We would therefore appreciate your taking the trouble to cite instances in which we have been wrong.

We admit the possibility that we have inadvertently made mistakes in our presentation, but our purpose is, so far as it is humanly possible, to be accurate in every respect and to draw from the facts only such deductions as are fully justified.

We are enclosing, herewith, a copy of a letter forwarded to the *Winnipeg Free Press* relating to their comment on your suggestion that our Group should be investigated by the Special Committee, of which you are a member.

May we repeat here that we have no reason to fear the consequences of any inquiry which may be made officially or otherwise. At the same time we feel that such an inquiry by the Special Senate Committee would not be really pertinent to the subject in mind.

Yours very truly,

CITIZEN'S GROUP FOR RAILWAY ACTION.

(Sgd.) DALTON J. LITTLE,

Secretary-Treasurer.

I read my reply a moment ago.

Again I say that an investigation would disclose that these distinguished gentlemen are shareholders of the C.P.R. Of course they have a right to do their best to protect their interests, but we ought to know whether that is the case.

Hon. Mr. DANDURAND: I understood that Mr. Peterson was to be here this morning.

Right Hon. Mr. MEIGHEN: Hear, hear.

Mr. BIGGAR: Mr. Peterson is here.

Hon. Mr. McRAE: I have just one word to say in regard to this controversy.

Hon. Mr. MURDOCK: Which one?

Hon. Mr. McRAE: Between you and the Citizens' League for Railway Action. If my memory serves me right the letter which Counsel read said that there were a number of subscribers who had contributed enormously.

Right Hon. Mr. MEIGHEN: Anonymously.

Hon. Mr. McRAE: At any rate, I think if we could get a statement of the financial support, or if the League would give us their principal contributors, it would probably answer.

Hon. Mr. DANDURAND: Would you insist that they publish their anonymous subscriptions?

Hon. Mr. McRAE: I think the anonymous contributors are the nigger in the woodpile. There is no way we can compel them. I thought the word was "enormously" in which case the gate was open.

Mr. CHARLES W. PETERSON, Editor of *Farm and Ranch Review*, Calgary, was called as a witness.

By Mr. Biggar:

Q. Now, Mr. Peterson, perhaps you had better make it clear that you come from Calgary, and that you are the editor of the *Farm and Ranch Review*.—
A. Yes.

Q. And also, I understand, an agriculturalist, a farmer?—A. Yes, sir.

Q. And in January last you suggested in a letter to the Chairman of this Committee that you would be glad to attend to give evidence before it?—A. Yes, sir.

Q. And you spoke of a group which urged you to offer to do so?—A. Right.

Q. And you have, I think, a submission in writing which you desire to present?—A. Yes.

Q. Perhaps you would go on.

Hon. Mr. DANDURAND: I take it from your words, that Mr. Peterson speaks of a group urging him—

Mr. BIGGAR: "The group urging me to offer my services in this matter feels that your final conclusions on the railway issue should not be formed until you have heard and considered the arguments of the largest and most vitally interested body of producers in Canada."

By Hon. Mr. Dandurand:

Q. Is that group organized?—A. That is merely a small study group, so I represent no one but myself.

By Mr. Biggar:

Q. Right. Would you go on with the memorandum.—A. Mr. Chairman and gentlemen:—

May I at the outset be permitted to place on record my conviction, that the people of Canada have in the past been exceedingly well served by their railways. The passenger equipment is the last word in luxury and services and rates compare favourably with those in other countries. In respect to freight transportation Canada can boast of the lowest rate basis of any white country in the world. Only India, China and Japan, with their low labour cost, are a mere trifle below Canadian rates. The average ton-mile receipts of Canadian railways in cents is 0.969. United States rates are a shade higher. The following are the basis of other countries: Australia 2.733, Great Britain 3.058, France 4.010, Sweden 4.057, and Denmark 6.456. The European rate basis is from three to over six and a half times as high as it is in Canada.

And that tells only part of the story. Canadian railways function under the very severe handicap of having to operate the largest per capita mileage of any country in the world, except Australia, normally meaning the smallest volume of traffic per mile. Furthermore, the personnel cost of railway operation in North America is enormously higher than it is in Europe. It is clear, that

the amazingly favourable result in economical operation attained in Canada, which claims the admiration of railway executives everywhere, must be ascribed almost solely to a high degree of general efficiency and superior executive direction.

It may be argued that the taxpayers and shareholders have in recent years contributed liberally towards the low freight rate structure, but the fact remains that under traffic conditions prevailing some years ago, the privately owned railway was able over a long period consistently to earn a fair dividend for its shareholders, attesting to the soundness of the enterprise. The National system, of course, has not been so fortunate, but considering the handicaps incidental to political management, it has in recent years made commendable progress towards economical operation. We should also bear in mind, that unprofitable railway operation is not peculiar to Canada. The privately owned railways of the United States are, with only two or three exceptions, now in receivership or facing bankruptcy. Australia and Denmark, in spite of high rates, have for many years faced enormous losses upon their state railways.

At any rate, it is abundantly evident, that the character of our railway operation in Canada, apart from unwise expansion, has been wholly admirable. I particularly desire to stress this fact, because I regard it as the most discouraging feature of our present grave railway situation. If the cause of this were merely inefficient management, the solution would be comparatively simple. But having regard to the facts, it is obvious that our railway problem has its roots in fundamental impediments of a much more perplexing character.

Highway and Air Competition

The most serious of these is new competition. The past decade has witnessed spectacular progress in efficient highway and air traffic, which has revolutionized the whole transportation picture the world over. Every country now has its railway conundrum in more or less aggravated form. The extent to which this competition may ultimately undermine the solvency of steam railways is at present an unknown quantity. It depends entirely on the further development of increased mechanical efficiency and the extension of highways. We do know, however, that this new competition has now succeeded in practically destroying steam railway investment in most countries. More live stock is now delivered by truck than by rail to the leading markets in the United States. Over 3,600,000 trucks use the highways of that country and Canada to-day. It is a paramount factor in our railway problem, which cannot be ignored in any intelligent consideration of the future of Canada's transportation services.

I quote the following item from a British Periodical:—

“Alarmed at the fall in their receipts during the present year, the railway companies have approached the government for help. . . . In passenger services, the railway companies have largely met the challenge by acquiring a controlling interest in road transport undertakings. But in the goods services this cannot be done to the same extent, as about four-fifths of all transport of goods by road takes place in vehicles owned by traders, or their subsidiaries, and not in independent cartage undertakings. The private road contractor, with freedom to pick his services and adjust his charges without legal restriction, continues to make serious inroads into the more profitable forms of goods transport.”

It is competently estimated that British railways to-day do not control more than ten per cent of the total public and private trucking over distances of 50 miles.

The most reliable and conclusive evidence of the complete collapse of the steam-transportation industry may be found in the record of Canadian Pacific shares. This stock, for many years a steady dividend payer and regarded as

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the safest of investments and quoted on exchanges everywhere, a few years ago reached a high of \$280. Split into four these shares are to-day quoted at \$5. This almost unbelievable retrogression is a reflection of the consensus of judgment of shrewd investors the world over. This calamity has occurred in spite of admittedly excellent management, the enjoyment of abundant capital resources and every facility for economical financing. The inevitable conclusion is that the investor has lost faith in the ability of steam transportation to give any reasonable return on capital in the future. I regard this, by the way, as one of the most disturbing consequences of our railway situation. In British investment circles Canadian Pacific securities have for many years been regarded as the barometer of Canada's credit standing. Overseas public confidence in our country is now being rapidly undermined. We assuredly cannot afford to run the risk of a second Grand Trunk debacle.

It is absolutely incorrect to ascribe the decline in Canadian railway earnings to a mere temporary curtailment of traffic due to general economic dislocation. In Canada, as elsewhere, we face a basic and progressive mechanical change of crisis proportions, which it is utterly absurd to ignore. Any plan to place our railway transportation system on a solvent basis must anticipate a permanent and increasing per capita curtailment of passenger and profitable, short-haul freight traffic. The problem which now faces the world of rail transportation is not of a temporary character. The crucial question is whether, in view of the steady curtailment of traffic, steam railways can survive even after utilizing every possible economy in operating cost.

The West and Transportation

The colonization of Western Canada was proceeded with on a basis of low transportation costs. Owing to its inland position and remoteness from tidewater, it goes without saying that the development of this great agricultural empire would have been impossible under any other conditions. A low freight basis, inward and outward, constitutes Canada's contract with the western settler, who is compelled to produce almost solely for a highly competitive, low price market and must himself absorb the entire transport and handling costs. Argentina, Canada's chief competitor in the wheat market, enjoys a freight rate to tidewater equivalent this year to only $5\frac{1}{2}$ per cent of the value of the wheat. Western Canada's cost to the lake-head amounts to at least 25 per cent. The railway situation as it has developed during the past decade is, therefore, a matter of profound interest to western farmers and has naturally given rise to serious apprehension, not solely confined to the implications of the vast burden of taxation now involved.

The organization of the Railway Commission, with absolute control over rates and services, was hailed with universal satisfaction as a protective measure to the shipper, but the apathy of successive governments of Canada towards the grave situation which has developed in the operation of our two great railway systems, has naturally drawn public attention to the inescapable conclusion, that public control of railway earnings inevitably implies an equal responsibility to the shareholders and bondholders of railways in respect to the safety of their investment, over which the Railway Commission, a semi-judicial body, exercises power of life and death. That this aspect of railway investment must sooner or later engage the attention of that body cannot be doubted.

The transparent unwillingness of successive governments to incur the political risks incidental to dealing constructively with what is unquestionably the greatest problem facing our country to-day, has naturally led western farmers into the firm conviction that the remedy which must eventually be applied will assuredly also follow the lines of least resistance, namely, an increase of freight rates. This conviction is materially strengthened in view of the public statement in Toronto by the Minister of Railways to the effect that the solution

of the problem lies in "building up traffic and obtaining reasonable rates for that traffic." The sinister implication is only too clear, and it becomes evident that the apprehension of western farmers is well founded.

I have no hesitation in making the positive statement, that an increase in freight rates sufficient to enable Canadian railways to maintain services and solvency, would constitute an unmitigated calamity to the now over-burdened prairie farmer. It would assuredly result in the depopulation of the western prairie section with calamitous results to eastern industry and business. It is an alleged remedy which a responsible government, conscious of the dire consequences, would not even consider for a moment until every other possible avenue of successfully solving the railway problem had been thoroughly explored and tried out. The present situation and future prospects are so serious that Canada cannot afford to reject any practical method whatever of bringing railway operating costs into line with earnings.

Business Rehabilitation

Various plans designed to increase railway earnings or to reduce expenses, in order to avoid the imposition of higher rates, have from time to time been placed before the public. One school urges immediate unification of operations coupled with an economy program. Another, which apparently includes the government of the day and the Federal leader of the official opposition, seems to be convinced that the problem is not one of particular urgency and may safely be expected to solve itself through increased traffic due to increased population and the eventual return of "normal" business activity, coupled with such economies as may be brought about by friendly co-operation between the two systems.

The latter argument was effectively disposed of by the President of the Canadian Pacific who very logically pointed out, that in principle and practice co-operation and competition were incompatible. Sensible people will agree with that verdict. Furthermore, the present proposal presumably agreed upon by both the government and its railway management, to spend some \$12,000,000 on the new Montreal terminal of the Canadian National, ignoring the more economical scheme of a union terminal, is clearly a deliberate violation of the whole principle of friendly co-operation and definitely stamps this plausible appeal for cohesive effort as insincere. It bears rather all the ear-marks of an attempt to block completely a rational solution of our railway problem. The proponents of the *laissez faire* approach to the problem apparently are not particularly concerned about the probability of having in the interval to compel the taxpayers of Canada to make good another half billion dollars of deficits.

What the anti-unification forces are pleased to regard as "normal" business is, I assume, a return of the boon conditions of 1928, though we would need to do considerably better than that, as the National lines showed a deficit of about \$30,000,000 on even that highly favourable year's operations. These optimists conveniently ignore the fact that air line, motor bus and motor truck transport are daily making further serious inroads upon steam railway traffic. It is a highly significant fact, that while our exports up to July, 1937, had increased 103 per cent over the low of depression, manufacturing volume 125 per cent, electric power production 233 per cent, newsprint 310 per cent and mineral output 305 per cent, car loadings only improved by 43 per cent.

Agricultural Deflation

The economic picture is, of course, never static, but it is always normal in the sense that it is the creation of prevailing conditions, to which, whether they be good, bad or indifferent, the citizen ultimately adjusts himself and carries on more or less satisfactorily. That factor frequently creates the illusion of better times just "around the corner." It is, however, quite safe to assume, that an

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improvement in Canadian business of sufficiently substantial proportions to lift railway traffic into a profitable volume, cannot occur as long as export agriculture must function under a demoralized price level. The gold price of wheat in Liverpool is now the lowest in centuries, and the enormous world carry-over of unsalable wheat precludes every chance of relief within the near future.

In fact, leading economists the world over see no possibility of an early and favourable change in the various important factors which have produced the prevailing low agricultural world prices. If that conclusion is correct—and I firmly believe it is—it behooves all countries largely dependent on agricultural production, to face stern realities and to adjust their internal affairs to the new economic set-up, which may easily govern our business life for a generation or longer. Needless to add, spectacular transportation expansion could not possibly become a feature of an economic era in Canada dominated by a persistent agricultural price deflation. Canada can, however, adjust herself quite comfortably and happily to the present depressed business basis and limited export opportunities, granting that all groups in our domestic economy are prepared to accept proportionate sacrifices. Our agriculture has set the example. The first essential is to clearly realize the difference between 1929 and 1939.

Consider also the steady deterioration in the Federal, provincial and municipal budget positions, the disastrous effect of the large sales taxes upon consumer purchasing power, raising the retail price level by 10 to 14 per cent, which has almost completely cancelled out the beneficial fall in wholesale prices, the progressive demoralization of world trade, the steadily increasing taxation almost everywhere, due to vast and unproductive armament expenditure as well as various other adverse factors, and having in mind, that nowhere on the economic horizon is there the remotest indication of any early reversal of the present drift into rigidly controlled international trade, it is difficult indeed to find realistic grounds for an optimistic forecast in respect to business conditions in Canada, leading to substantially increased traffic. It would be more rational and more in harmony with economic thought to look for a worthwhile up-turn in Canadian business *after* we have cleaned house with our railways *than before*. If \$50,000,000 was deducted from our annual Federal deficit there would be a substantial basis for improvement.

The safe plan for Canada to follow in any consideration of constructive policies, is undoubtedly to accept the *status quo* as approximately normal for some years to come. To anticipate early and largely increased business activity and to base domestic railway policies on the strength of such a supposition, is equivalent to ignoring stern facts and indulging in "wishful thinking." The Canadian people, particularly those following agriculture, have every reason to congratulate themselves upon the heroic manner in which they have contrived to surmount a long period of adverse conditions. They will do so equally successfully in the future, providing our political leadership faces realities and removes such obvious and unnecessary burdens upon the Canadian taxpayer as are clearly involved in the present destructive railway situation.

The Population Carrying Capacity

The plausible suggestion that the solution of our railway problem will presently be found in a large increase in Canada's population is worthy of careful study. I need not apologize for dealing with it at some length. The present railway set-up in Canada was admittedly based on a population approximately twice as great as the present. It was confidently predicted that such a point would easily be reached within a not distant future. That this prediction proved utterly erroneous is now common knowledge. It is also to be noted that, having regard to recent climatic idiosyncracies, our views on the population carrying capacity of Canada must necessarily undergo a very severe revision.

Furthermore, we are now in the midst of dealing constructively with the aftermath of the recent unprecedented period of destructive drouth. The difficult task of approximately defining the areas in the west definitely unfit for settlement and methods of preventing the colonization of such lands, so as not to create new problems in the future, are only in process of study and solution at the present time. Important property interests and profuse public expenditure are involved in these decisions. It is also well to bear in mind, that the highly perplexing undertaking of evacuating an impressive number of farmers from the drouth areas and colonizing them in districts offering more favourable climatic conditions, has only been well started. Under the circumstances, it stands to reason that until these agricultural survey and re-settlement jobs are fairly completed, it would be unthinkable folly to complicate this involved situation by a further influx of new agricultural population.

The Minister of Agriculture of Saskatchewan recently expressed grave doubts as to whether his province could sustain any additional population. A recent soil survey of that province limits the area fairly fit for cereal production to 33,000,000 acres. The cultivated area now exceeds 29,000,000 acres. We are apparently close to the margin of safety in our agricultural occupation of that province. So great an authority as Dr. Raymond Pearl of Johns Hopkins University, suggests that the United States is now dangerously over-populated, having in view the rapid depletion of natural resources. While expressing no opinion on this subject, Canada's safety limit in population, considering our severe climatic and transportation handicaps and the maintenance of an acceptable standard of living for our people, is an element in the railway situation the consideration of which has not, by any means, been exhausted and which cannot be ignored.

Natural Increase in Population

Granting, however, that we can accommodate and must look to a substantial increase in population to solve our railway problem, there is little consolation to be found in the vital statistics of Canada. The drift here, as elsewhere, is distinctly towards a lower net rate of increase in population. If we are to depend on natural accretion the case seems hopeless, as it would not be difficult to show that within the not distant future, Canada's population will certainly be approaching a stagnant or possibly decreasing basis. Decidedly, the element of time holds out no hope whatever of creating additional traffic by virtue of natural increase in population. Quite the reverse.

The possibility of the increased population remedy, therefore, resolves itself into the prospect of augmenting our population by means of a substantial immigration. The question here arises as to whether a large agricultural immigration, inevitably followed by a corresponding increase in export food products, would not completely demoralize our present limited overseas markets. It would, in fact, certainly have that immediate effect, of which the farmers of the West are quite convinced, and would, therefore, at present violently resist any attempt of solving the railway problem by a process which was bound to destroy their market and reduce the existing farm population to a still lower standard of living.

However, disregarding this weighty objection, I must still reluctantly confess, that such an apparently easy solution of our problem looks to me almost as idle as anticipating this result through the process of natural increase. In the first place, the people of Canada, rightly or wrongly, are not immigration minded and probably will not be for years to come. The best evidence of that fact is the record of our immigration administration, which presumably reflects the state of mass public opinion. If Canada to-day opened her doors wide to European people, the volume of arrivals would probably not show any substantial increase, aside from a momentary influx of political refugees. In

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spite of this fact, our policy has consistently been designed to hedge entrance into Canada around with every conceivable obstacle, to the extent that immigration has now been reduced to a mere trickle compared with what it was some years ago.

The Leak by Emigration

Even that insignificant influx of people is now fairly absorbed by departures from Canada. There are now one million and a quarter Canadian born people domiciled in the United States. It has been estimated, that Canadians and those of Canadian origin living in the United States to-day, represents a population one-third as large as Canada's total present population. During the past eight years we have lost to that country alone an average of 10,638 of our population per annum, according to official statistics in Washington. A large number of British and European settlers have also returned to their former homes. Canada, therefore, actually faces a net loss of people each year aside from our modest natural increase—a highly disturbing fact discreetly ignored in our immigration reports. The persistent and ominous leak of population to our southern neighbour, which seems to proceed in spite of prohibitory legislation, and of the actual extent of which we can form no reliable estimate, is a highly important factor always to be reckoned with in our population problem.

Moreover, it is obvious, that the present, and preceding governments, are not, and have not been, prepared to endorse a vigorous immigration policy as being within the scope of practical politics. That official attitude at once disposes of the opportunity of solving the railway problem through the long-range remedy of a substantial immigration movement. It may, therefore, be dismissed without further argument, as it is evidently contrary to existing public policy. It may, of course, be argued that sometime in the future the official attitude towards immigration may, in obedience to the force of public opinion, undergo a radical change. While I see no present indication of such a change, it may be useful to examine Canada's chances of attracting a large influx of people in the event of any such reversal of policy. Frankly, they appear very slim indeed.

Immigration from Europe

The obsession which now fills the minds of most of our population, that it is an inestimable privilege to permit an immigrant to come to our shores and homestead or purchase a piece of land, will unquestionably be largely removed within the near future, when the realization will dawn upon us, that our most urgent invitations to do so will be unheeded. We will learn to our dismay, that the wholesale subdivision of landed estates in Europe is giving the farmer there better social and economic opportunities, and much superior markets, than Canada can offer him in the uncertain field of highly competitive export production, with the further handicap of expensive, long distance transportation.

Moreover, in the food importing countries—in the past the most fruitful sources of immigration—high tariffs and other import limitations have brought increased prosperity to domestic agriculture. Even if we modified our somewhat exacting specifications and freely accepted industrial immigration, we should encounter a distinct reluctance on their part to leave the economic security they now enjoy in Western Europe in terms of unemployment and sickness insurance, pensions of various sorts and a complete program of other social services.

With the pressure of density of population relieved through the rapidly falling birth rate in Western Europe, it will assuredly be increasingly difficult to tempt prospective homeseekers to go far afield. This attitude is clearly demonstrated by the fact, that the movement of people into Great Britain and other European countries is now larger than departures, while most overseas coun-

tries, including not alone Canada, but also Australia, New Zealand and Argentina and the United States, show a net loss between arrivals and departures. These figures tell the tale eloquently.

Passing of the Migration Era

We might as well become completely reconciled to the fact, that the days of large-scale migration are over, certainly as far as the present generation is concerned, and in all likelihood for generations to come. After the fantastic increase in world inhabitants of the past century, when the population of the earth more than doubled in the brief space of 80 years—in sympathy with the opening up of three new continents for colonization, improved transportation and the development of power and mechanization—we are again back to normal, which, according to history, means a scarcely perceptible increase from century to century, with long periods of a receding world population. There is every reason to believe that we now find ourselves in one of the latter phases with all its implications.

All European countries, except Russia, are barely maintaining their population to-day and the tendency is still towards an ever decreasing birth rate and a stagnant population. It is not unreasonable to anticipate that a period of the greatest rate of increase in world population may logically be followed by a century of actual decrease. The persistent world-wide war complex, economic depression and abnormal unemployment, are in themselves powerful factors in that direction.

In brief, we have now entered an era in world evolution distinctly and progressively antagonistic to the voluntary migration of peoples. Coupled with this handicap is the dismal fact that there never was a time when this Dominion had less favourable prospects to offer the newcomer. Under the circumstances, thinking people must inevitably conclude that the proposal to solve the railway situation by a substantial and early increase in Canada's population is an impossibility for years to come and must be dismissed as entirely visionary and evidently based on a complete lack of knowledge of the present day conditions surrounding this issue.

Economics in Operation

Seeing no possible amelioration of Canada's railway problem in any prospective increase in traffic earnings due either to the early advent of a general and substantial expansion in business, or to a large increase in our population, it is useful to turn our attention to the possibility of solving the problem by instituting economies in operating expenditure. I am not competent to enter into the technical side of railway operation and shall, therefore, confine my remarks to the largest item in the operating budget.

It is highly significant, that practically every plan of railway rationalization so far made public avoids any reference to the central cost factor, namely, the wage item, which represents about 62 per cent of the total operating expenditure. Most of these plans, on the other hand, contain confident assurances that railway personnel need anticipate no interference with its economic status. It seems to be tacitly agreed that this subject is sacrosanct and that a government engaged in the railway business cannot afford even to discuss the labour question. In view of the fact, however, that this issue actually constitutes the central point in the whole railway controversy, it is necessary for me to deal with it at some length and with considerable frankness, particularly as no one else has, as far as I am aware, seen fit to do so. Since I wrote that Dr. McDougall has appeared here and dealt with the subject.

In implementing any unification plan the taxpayers would quite properly expect that all undue hardship to employees should, as far as possible, be

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avoided. The theory, however, which seems to prevail in many quarters, that the main preoccupation of our railway system is to provide permanent and highly paid jobs, cannot be tolerated. Railway labour, which has always been the most highly paid and best treated trades in Canada, has no claim whatever to any more generous treatment than would be accorded employees in other lines of business affected by changes in organization.

Any displacement of railway labour, which might be the immediate effect of reorganization, is purely a disagreeable but necessary by-product. Any consideration of such extraneous factors should never be permitted to influence remedial action in a matter so deeply affecting the welfare of all the people of Canada. If, from motives of political expediency, special provision were to be made for displaced labour, the cost should certainly be assumed by the people of Canada and not by the employing railways, which are in no position financially, and under no moral obligation, to extend compassionate treatment to superfluous employees.

In spite of the fact that capital invested in our railway enterprises, aside from money borrowed, have long ago ceased to receive any returns whatever, it is apparently still assumed that railway labour has no responsibilities to its employers or to the public beyond performing its daily tasks. The clear implication seems to be, that railway labour, secure in its powerful fighting organizations, admits no interest whatever in adequately protecting its own jobs. That duty is conveniently delegated to the taxpayers, shareholders and consumers of transportation. I venture to question the justice, certainly the wisdom, of this attitude. I can think of no other occupational group privileged to impose such arbitrary responsibilities upon the public.

The Railway Wage Level

Taking railway wages in 1913 at 100, in 1901 they stood at 68.8 and in 1937 they reached 196.1. That shows an increase of nearly 200 per cent over 36 years. Farm product prices during the same period increased 14.9 per cent. Railway wages increased between 1913 and 1937 by 96.1 per cent while farm product prices fell 0.2 per cent, and the cost of living for a family increased only by less than \$3 per week. During that period we cheerfully created the present enormous deficit on the operation of the National Lines and it apparently never occurred to anyone in authority that there was an obvious answer to that state of affairs. Canada has certainly treated her railway employees most generously, largely at the expense of agriculture, the heaviest user of railway transportation, and certainly at the direct expense of the taxpayer.

The economic formulae under which modern society functions is very simple. Out of every dollar we pay over the counter an average of about 85 cents is absorbed in the payment for human services. Normal employment is the result solely of normal consumption of goods and services. The volume of consumption is controlled by the purchasing power of the consumer, and this is determined by the fluctuation in the general price level, which is controlled absolutely by the wage level. Orthodox economy expects the law of supply and demand to maintain reasonable equilibrium between wages and prices, so as to keep purchasing power and employment normal at all times. When, however, we successfully contrived to impose arbitrary wage levels on our economy, the law of supply and demand at once became a dead issue and we thus created our unemployment problem, because while labour can enforce arbitrary wages, it cannot compel the consumer to provide employment by buying its product at artificial prices.

The high wage theory is merely a transparent economic absurdity. Social justice to all occupational groups must be the guiding principle in the well-balanced community. This admits of neither high nor low wages, but demands wage levels based on justice only. Purchasing power must be fairly distributed

amongst all classes according to their contributions to the common welfare. About half of our population lives in the countryside. The purchasing power of that group determines the prosperity of the nation. The farmer normally receives so small a share of the national income that his purchasing power is governed entirely by the level of urban prices. As long as these are unduly high, as they must be under our high wage level, he is out of luck.

More than one-quarter of the population derives its living from the wage pay-rolls. The purchasing power of this important group is also of grave concern. It must, nevertheless, be recognized, that even so numerically important a class as the wage earners cannot receive an unduly large proportion of the income derived from production, without depriving the other three-quarters of purchasing power in terms of higher industrial prices. It is, by the way, well to bear in mind, that the crisis of 1930 arose when the industrial wage level was at its highest peak. That did not save the situation. *There is, in fact, no economic salvation in high wages unless they are the result of higher individual efficiency.*

Farm and Labour Incomes

Canada has stubbornly based her whole economy upon her supposed ability to pay the world's highest urban wage level. That is one of the confused theories we have imported from the United States, the fountain head of most of our economic wisdom. Almost the sole function of the protective tariff to-day is to guarantee and maintain this artificial wage structure. In a country where the living of one-half of our population depends on agriculture, which must compete freely in its entire production with black, brown, yellow and white peasant and peon labour, such a generous urban wage policy is, to say the least, ambitious to the point of embecility. It is a typical product of the single-track mind bereft of all sense of proportion. The average consumer can, of course, refuse to buy industrial products in normal volume, as he has been doing for several years, but when Canadian railways are forced to impose an artificial wage level upon a utility such as transportation, which we are all compelled to patronize, a situation arises which western farmers will only submit to under the strongest protest.

I am not familiar with agricultural opinion in Eastern Canada, but would quote for your information the following extract from a recent editorial in "The Canadian Countryman," a leading farm periodical published in Toronto:—

"... One of the fundamental reasons why farm business and urban business as a whole cannot be carried on satisfactorily with our present general price level is that the rate of wages paid in our most important urban industries is too high compared with farm prices. Taking the year 1913 as 100, we find that the index number of the price of farm products in November this year was 101. The index number of the rate of wages paid in our major urban industries is approximately 191. As trade is very largely simply an exchange of goods and services between people who work in the city and those who work on the farm, it is not much wonder that there should be so much unemployment and suffering when a disparity of this kind exists. Considered in terms of purchasing power the situation is even worse. Taking 1913 again as our base year, we find that the index number of the purchasing power of the price of farm products in November was 79. The purchasing power of wage rates was 149. That is the purchasing power of wage rates is about double that of the purchasing power of the price of farm products. This is an intolerable situation . . ."

Thinking farmers throughout Canada are apparently of one opinion on this subject. One finds it difficult to reconcile the hour rate of earning of the [Mr. Charles W. Peterson.]

western farmer, estimated at between 10 and 15 cents, with the comparatively princely wages paid at least in the upper grades of railway employment. No one can dispute that the competent farmer possesses a wide assortment of knowledge and skill much superior to the average run of railway labour. He might with full justice demand a compensation for his year's labour equal to that of the railway employee.

The hazard to life in railway employment is strongly emphasized in wage conferences. That superstition is many years out of date. With modern safety devices it is doubtful whether the occupation of a train crew is nearly as dangerous as that of a taxi driver on our crowded streets. There is, in fact, neither rhyme nor reason in the whole theory of present wage differentials. Half of Canada's wage-earners, backed by militant organizations, now collect 80 per cent of the national wage bill.

Existing hour rates of wages are constructed neither with reference to technical skill, duration of training period, hazard to life and health nor on any other rational premises. The unvarnished truth is, of course, that they are based almost entirely on the efficiency, cash resources and solidarity of each individual labour organization, and upon the vulnerability of public welfare in respect to the essential services the members of each such organization are responsible for maintaining and, therefore, have the power to demoralize through the medium of strike. Labour's ability to impose its will on the community depends exclusively on these factors.

The great international railway brotherhoods are admittedly the wealthiest and most powerful of all labour organizations, and have, therefore, been able to coerce their employers and the public into acquiescing in a wage scale which bears no reasonable relation to the earnings of other comparable occupational groups. Railway labour, not alone by its uncompromising attitude on wages, but by its notoriously wasteful cost and job increasing shop conditions, has now brought practically all North American roads to the point of bankruptcy. Western agriculture considers that a searching judicial inquiry into the justification of the railway wage scales is long overdue. Unless an effective check is applied, an increase in freight rates is inevitable.

Foreign Control of Railway Labour

I might here observe that, as a matter of public policy it is in the highest degree improper, if not actually dangerous, for the Labour relations of the government railways to be dictated by organizations domiciled in, and under the sole jurisdiction of, a foreign country, able to exercise at all times the power to completely demoralize the transportation system of Canada and to bring strong pressure to bear on its Canadian members, as has obviously been done, to strike, with foreign financial support, for higher pay in the interest of uniformity of compensation on both sides of the line, irrespective of the varying economic conditions prevailing in each country.

It should be made absolutely clear to Canadian railway employees, that the wage level in the United States, which is now regarded as the standard for Canada, can have no sensible bearing on the Canadian wage level. It stands to reason, that public policy in the United States influenced by party politics, might at any moment—and actually is at the present time—actively directed towards general economic and wage standards, which might be quite antagonistic to the public policy and prevailing economic status of Canada. To perpetuate the existing state of affairs is tantamount to surrendering to the United States government—which has, from obvious political motives, recently intervened successfully to maintain the high wage rates of her own bankrupt railway—the final decision in Canada's railway problem.

No other nation in the world would tolerate such a labour organization set-up for a moment, particularly where it involved an indispensable public

utility. Canada's dull acquiescence in this preposterous situation is a sinister reflection upon our unwillingness to deal intelligently with labour issues and indicates the danger of Canada's position as an employer of an army of highly organized public servants able, not alone to impose their views through a threat to dislocate our whole transportation system, but also to inflict political retaliation when exorbitant demands have to be resisted. I cannot imagine a weaker or more vulnerable instrument for dealing with labour disputes of large dimensions than a democratic government.

Wages and Freight Rates

One would suppose that intelligent railway labour leadership in Canada, knowing that they are no longer serving an invulnerable transportation monopoly, would by this time pause and consider the future in the light of commercial self-interest. They cannot fail to realize that they have now exploited the people of Canada to the utmost limit, and that the time is long overdue to shed the 1929 "boom" complex. The earnings of a controlled public utility are strictly confined to the business available. The fortunes of its employees must in the last resort move up and down in harmony with those of the enterprise itself, unless we are frankly to cast overboard all the rules of prudent business administration.

There is, in fact, no place for the high, arbitrary wage scale, unless labour can invent a painless formulae by which the patrons of railways can be coerced into providing the revenue required in terms of increased rates and volume of traffic. In the absence of such the present attitude of railway labour is simply tantamount to a demand, that they continue to be in part affluent pensioners on the bounty of their needy fellow-citizens—a position not calculated to enhance the prestige of a large and honourable occupational group, whose insular leadership has apparently forgotten the admonition to "live and let live."

The demand of labour in 1936 for a ten per cent increase in wages—adding \$22,000,000 per annum to railway operating costs, equivalent to 8 per cent—made under threat of strike and with full knowledge of the precarious financial situation of both railways and in the face of a substantially reduced cost of living, was an unprecedented exhibition of callousness and disloyalty towards the interests of both their employers and the Canadian taxpayer. This preposterous demand, unjustly acceded to constituted a major calamity. It was a crude and craven admission of the strange theory, that as long as the people of Canada are in the railway business, the wages of employees shall bear no relation whatever to the ability of the business to finance itself. The taxpayers will be forced to shoulder the deficit. It set a new precedent in government operation of utilities. One wonders how the privately operated railway can efficiently manage its own labour relations teamed up with a competitive system under political control, whose decision in any labour dispute is bound to prevail. The strategic advantage of labour under such a set-up is evident.

From a point of view of transportation rates, the western farmer occupies the most vulnerable position of any group in Canada. Any government which undertook to protect the present extravagant railway wage level by an increase in freight rates—and that is the plain issue involved—even though the agricultural export rate structure were left intact, would sign its own death warrant in the West. The effect would be a higher operating and living cost which would further reduce the prevailing near-slum standard of living of western agriculture. It must be clear to the simplest intellect that the remedy for the desperate straits of our railroads is not higher rates, meaning higher commodity prices, further restricted trade and transportation and more destructive competition, but a sane wage bill substantially reducing operating costs.

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Canadian vs. British Labour Attitude

Canadian labour leadership, in spite of repeated assurances of full protection for railway employees, went on record recently in opposition to unified operation of our two railways. This was an amazing demonstration either of complete lack of business perspicuity or of callous indifference to the ultimate fate of these enterprises. It seems unthinkable that any responsible person should in these days of universal stress and sacrifice, seriously advocate an increase of rates as a solution of our railway problem, until every other possible avenue of relief, including the rationalization of wages, had been completely exhausted. If that is a reasonable conclusion, it is obvious that railway labour cannot hope ultimately to maintain its present wage level under separate management of our two systems, for the simple reasons, first, that there is no relief in sight in terms of substantially increased traffic revenue, secondly, because no one is able to indicate where any further considerable economies can be effected under dual management, and, thirdly, because of the increasing competition of other means of transportation. Coupled with these facts is the peremptory demand of a rapidly increasing section of the public that this indefensible, fiscal leak be stopped without delay.

Granting that the present unjustifiable wage level may eventually have to be reduced even under unified operation, it is still evident that the pressure on the wage earner must presently become infinitely stronger under separate management, deprived of any other means of reducing operating costs and rapidly going into bankruptcy. One would naturally suppose that the only possible chance of railway labour maintaining anything like the present level of wages would be precisely through unification. British railway labour, drawing very low wages and confronted with the same situation, quickly recognized that the only effective guarantee of fair wages and working conditions is a solvent employer. After the unification of all the British railways into four regional groups, railway workers there are now pressing for complete amalgamation of these into one concern in the interest of still further operating economies. Canadian railway labour apparently has no interest in Canada's railway problem, beyond what they erroneously conceive to be to their immediate advantage in terms of jobs and wages.

Or, it is conceivable that Canadian railway employees consider their position unassailable and still hopefully pin their faith to the old-fashioned method of terrorizing the public by the threat of domestic warfare, and the dislocation of our transport services. If so, I would hazard the opinion that a general railway strike has now lost its terrors. It would not, in these days of efficient motor transportation, constitute anything like the menace it once represented. Public opinion would assuredly be strongly adverse to the labour point of view in a fight practically involving the welfare of Canada. A strike would be irretrievably lost before it started.

Economies Under Unification

Competent opinion assures us that unified operation of our railways might easily effect such substantial savings as to eliminate the present aggregate losses. Those opposed to unification question that statement. Obviously, it is difficult to calculate even the approximate saving to be effected with such important controversial issues outstanding as the extent of abandonment of unprofitable lines, which clearly must be a matter of careful consideration and probably of lengthy negotiation with the interests affected. In this submission, I shall not attempt to go further than to express very general opinions, based entirely on a somewhat lengthy experience as a senior business executive, upon a subject clearly bristling with technicalities.

To the direct economies which may be gained by unified operation of our system of railways, the safest interim approach is perhaps the application of

ordinary, common sense. It stands to reason that the complete duplication of traffic solicitation and facilities, executive management, expensive and continent-wide service offices, publicity, accounting and scores of other overhead costs could be cut in two or largely curtailed under unification. Some could be completely eliminated. That these savings would in the aggregate amount to an impressive sum is indisputable. It is clear that a great public utility can, other things being equal, operate most efficiently and economically as one unit, relieved of all the expensive and vexatious problems incidental to keen competition for the patronage of the public.

Whether the economies incidental to unified operation would, or would not, completely cover the present deficit, is not the point. In view of the serious position of both our railway systems, the taxpayers of Canada have the right to demand that every possible avenue towards reduced operating cost be exhaustively explored and fully utilized in order, first, to limit the tax burden, and, secondly, to leave open the door to possible rate reductions in the future. Every single move promising any substantial economy in aggregate operating expenditure is absolutely mandatory if we wish to salvage our five billion dollar railway plant and ensure indispensable rail facilities for our people.

Competition Indefensible

On the general subject of the propriety of the present competitive set-up in our railway services, may I point out, that democracy contemplates that the government shall at all times impartially conserve the legitimate interests of its citizens without fear or favour. Shareholders in the private railway system invested in good faith in a concern incorporated under Canadian law, took great risks and are clearly entitled to decent treatment. When the government of Canada first embarked upon railway operation, the public business was fairly divided between the two systems. That was as it should be. Now all government patronage goes, as far as possible, to the National lines. It is plainly a case of competition without gloves between a government and a group of its taxpayers. The normal limiting factors in competitive effort are efficiency and available capital. Irresponsible competition ultimately leads to bankruptcy and elimination. The process of the survival of the fit maintains equilibrium in business, and it is important in the interest of sound and sane national development that this natural process should not be unduly obstructed.

The President of the National lines, in his evidence before the Senate Committee, suggested that the mission of his system was not to make profits, but to render services to the public. In a recent speech at Toronto, Mr. S. W. Fairweather, Chief of Research of the National Railways, said:—

“There is another side of the deficit of the Canadian National primarily the railway is not operated for profit, but for public service and the development of the country . . . it would be a short-sighted policy to make railway profits the criterion and test of development.”

Such an operating policy under the present railway set-up would, of course, be absolutely unjustifiable. That the government of Canada should furnish transportation at less than cost in order to promote the development of the country, or any part thereof, might conceivably be excellent public policy in many cases. But however meritorious such a policy might be, it would now necessarily involve compelling the shareholders of the competing private railway system to become equal contributors with the government towards any such objective of general public interest, by means of what would virtually amount to discriminatory taxation. This principle creates a preposterous situation.

It is clearly unethical for a government to enter active business in competition with its own taxpayers. If a government is at any time confronted with the necessity, in the public interest, of socializing any utility or business

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enterprise, it is its bounden duty to leave no stone unturned forthwith to create of such business a public monopoly and, even at considerable sacrifice, to give every private concern in the same business the fullest opportunity to escape from the admittedly impossible situation of competing with its own government, having the capacious pockets of its taxpayers—including even those of the private competitive enterprises—to resort to or liquidate the financial consequences of eventual extravagance and mismanagement. The record of our National Railways, with its periods of reckless expansion and duplication of services, provides the most convincing proof, if any is needed, of the fairness and soundness of this principle in public administration. The present railway set-up in Canada is obviously immoral, illogical, and indefensible.

Competition and Services

In the early days the west fought persistently and justly for competition in transportation. With the advent of the Railway Commission and public control of rates and services, however, this issue at once became obsolete. The assertion that competitive enterprise is desirable in order to promote efficiency in railway services is not convincing. According to that theory we should also have competition in telephone and postal services and in other public utilities, when it is common knowledge that the tendency the world over is precisely to operate all public utilities as a monopoly under rigid state control, not alone in the interest of efficiency and economy, but also to avoid the burden of uneconomic services. Public service enterprises are everywhere regarded as “natural” monopolies.

It is true, that the absence of the spur to improve services afforded by keen competition, might lead to deterioration. On the other hand, it is equally true that such competitive services are generally inaugurated long before they are economically justified, thus leading to extravagance. Under unified, non-political control improved services would be provided as soon as they would pay their way and no sooner. Under competition they are offered as a bait for increased patronage. Presently the competing line must follow suit and also embark upon a losing adventure. It may, I think, be successfully argued, that in the last resort, one solvent railway will give better services than two competing lines both hovering on the verge of bankruptcy.

Our outstanding problem is to make the transportation system of Canada as a whole pay its way, consistent with rendering adequate—but only adequate—services to the public. The western farmer is of the opinion that the people of Canada evidently are not in a position to demand and pay for “palaces on wheels” or any other expensive superfluities. If there were, both railways would probably now be in solvent circumstances. Granting a moderate and sane view on the subject of services, I cannot see the slightest justification for maintaining competitive railway transportation. On the contrary, it is not alone absolutely indefensible in principle, but it defeats the paramount objective of economy in operating cost.

Abandonment of Unprofitable Lines

It has been asserted that one of the most promising, and also perhaps the most controversial, objective in the reduction of aggregate railway operating costs, lies in the abandonment, or part abandonment, of the enormous mileage of paralleling and unprofitable lines, estimated by the Duff Commission at 17,000 miles. This problem in railway operation is not, of course, peculiar to Canada, nor indeed to new countries. Great Britain has faced the same situation. It is estimated that if military considerations were ignored and British railways could substitute truck service, 2,600 miles of single track lines could profitably be abandoned, representing 13 per cent of the total route mileage. During the

past ten years one per cent of the aggregate mileage has actually been completely abandoned.

I shall, however, offer no comment on this subject beyond this, that if the Railway Commission, with all the facts before it, deems it essential in the public interest that services should be maintained over any unprofitable lines, then, having due regard to any subsidy or equivalent a railway may in the past have received in respect to the construction and operation of an apparently superfluous line, the government of Canada should assume its just and proper share of the annual losses involved, by special and direct subsidy to the operating railway. That would keep the record straight.

Furthermore, as a public contribution towards, and in order to facilitate, railway rationalization, western people would unquestionably support a very liberal policy in that respect, so that no injustice may be inflicted either upon the railways or upon vested interests along existing unprofitable lines. The government might conceivably subsidize motorized highway transport to serve such areas, in some cases using the abandoned right-of-way. With this highly efficient alternative now available, the obstacles to abandonment should not present anything like the difficulties it did some years ago. At any rate, the solution of the railway problem is of so urgent a character that sacrifices can be safely demanded from all interested classes of the community.

The Political Implications

A dispassionate survey of the railway situation would not indicate that it is by any means hopeless. Obvious opportunities for substantial economies in operation present themselves in numerous directions. There is, however, no easy way out. The easy remedies have been exhausted by this time. We now face those uncomfortable issues in economies, which involve fundamental changes and controversial policies. Several feasible railway unification plans have been constructed amply protecting the public interest.

The arguments hitherto advanced against unification are based almost entirely on the extremely doubtful virtues of competition and ignore the crucial points, which are, first, the moral impropriety and the economic wastefulness of competition and, secondly, the urgent business problem of salvaging an indispensable public utility through facilitating operating economies, rather than through increasing the cost of services to the farmer and the general public. That unified management of the two systems will eventually be forced upon the people of Canada, admits, as I see it, of no doubt whatever, simply because there is no other easy way to eliminating operating losses. Presently an overwhelming majority of the Canadian people will demand the common sense solution of the problem.

It is painfully evident that the real obstacle to railway rationalization is the political implications involved. The personnel, representing about one per cent of the population, but controlling perhaps a quarter million votes, constitutes one of the serious problems of democracy engaged in the dangerous pastime of ownership and operation of "Big Business." An isolated major adventure in state socialism embracing an army of perfectly unionized workers cannot possibly succeed. Successful control and socialization of business necessitates a political dictatorship, able to restrain the unionization of labour for bargaining purposes. That has been demonstrated over and over again in Europe since the war. When a democratic government undertakes, directly or indirectly, to bargain with large bodies of powerfully organized employees, its final decision obviously affects its own political fortunes and, therefore, opens the door wide to political corruption. In every general election the railway vote would naturally favour the highest bidder. We cannot afford to ignore this deadly menace to our public life.

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It has even been suggested that railway unification in Canada would constitute a public menace, as so large an organization would be politically all-powerful. That, of course, is sheer nonsense. Whether the railway vote is concentrated under one management or under two or half a dozen, the railway brotherhoods will always act as one unit and labour, under the present set-up, will bestow its political rewards or punishments as one unit. The danger of labour domination obviously lies solely in the political administration of railways.

Non-Political Control

I am in complete agreement with the Drayton-Ackworth Royal Commission report which says on this subject:

. . . . We believe that the history of railways all over the world, where the management is directly under a minister responsible to a democratic Parliament, confirms our position that under such a system the public suffer because special interest obtain concessions at the expense of the community as a whole. It is for this reason that we have emphasized our recommendation that the management of the railways be entrusted to a body independent of politics.

The government and the Federal Transport Department must be divorced entirely from the management of our railways, through unified control under a board of possibly fifteen directors, five elected by the government, five by the shareholders of the Canadian Pacific Railway and one each nominated by some such representative and non-political bodies as the Canadian Chamber of Agriculture, the Chamber of Commerce of Canada, the Trades and Labour Council, the Canadian Manufacturers Association and the Engineering Institute of Canada. A board so constituted would completely protect the management of the unified railways from political pressure and would also give the taxpayers and shippers of Canada direct representation uninfluenced by politics.

Such a board should elect and appoint its own officers, and it would be important that minority groups within the directorate should have full and independent access to the impartial and final judgment of the Railway Commission on all majority decisions upon rates and services with which they were not in agreement. A semi-judicial body such as this, with a background of technical knowledge of railway administration and having available a staff of competent technical advisers, and being specially charged with the responsibility of safeguarding the joint interests of the owners of the unified system—the citizens of Canada and the shareholders of the Canadian Pacific—would assuredly come nearer rendering safe and sane decisions than the political head of a department, exposed to the influence of pressure groups and hampered by uninformed public opinion and party considerations.

Conclusion

That Canada's railway problem must be solved at the earliest moment is mandatory, not alone because it involves an intolerable and wholly unnecessary burden on the taxpayer, but especially because it is exercising a distinctly demoralizing influence on public opinion. Coupled with our enormous expenditure on relief, our apathetic attitude towards this destructive leak in our national resources, has already created the illusion in the minds of too many of our citizens, that the public purse is bottomless and that we can with impunity continue to add to our fantastic public indebtedness.

In order to conveniently defer constructive action, timid political leadership has from year to year deliberately reassured the public in respect to Canada's fiscal position, until many otherwise intelligent citizens, influenced by irresponsible, financial "witch-doctors," are now actually beginning to believe, that credit and debt, public and private, is, in fact, largely a matter of accounting

tricks and the liberal printing of currency. When the government itself refuses to face the desperate realities and complacently condones a ruinous deficit on railway operations, which in saner times would not be tolerated for a moment, we may confidently anticipate that the man-on-the-street is going to be no less complacent, and many will be quite ready to support weird plans to solve fiscal problems by financial magic. That is the price democracy pays when governments choose to underrate the disastrous effect on mass-opinion of an attitude of unconcern respecting spectacular financial losses.

Transportation in a far-flung country like Canada is the central operation of our industrial and agricultural economy. It intimately touches the life of every citizen and it behooves Canada to promote, by every means within her power and at almost any sacrifice, the highest possible degree of efficiency and economy in her vital transportation services. Confronting an identical problem in 1921, a determined government in Great Britain, facing strong opposition by the railways, by labour, by the technical press and the general public, abolished wasteful competition through the wholesale amalgamation of 120 railways into four regional, non-competitive systems. The new set-up has now earned the approbation of everyone. It saved the situation completely. Are our Canadian leaders unable to emulate this example of bold statesmanship?

What I believe to be a rapidly growing majority of Canadian citizens and almost the entire press of Canada, are to-day united in the demand for speedy railway rationalization. Are we to confess, that, facing this national emergency, our political leaders are unable to sink considerations of party advantage and to agree on a rational plan of unification in the best interests of Canada? If our statesmen of to-day wish to avoid the opprobrium of the public of to-morrow, they have no choice, but to pursue the logical course dictated by common sense and a realistic conception of the grave problem facing us all.

The responsibility resting on our political leaders of all parties is a heavy one. If the welfare of Canada is to be made subservient to the fortunes of political parties and occupational pressure groups, our case is desperate indeed. But I cannot bring myself to believe that our leaders cannot be brought to agree on sinking selfish interests in meeting a crisis, which, unless surmounted through co-operative effort of high minded men, threatens to perpetuate the existing economic stress and ultimately to tarnish the good name of Canada in the financial centres of the world, thus retarding the clock of national progress. That is the inevitable penalty we would pay.

The CHAIRMAN (Hon. Mr. Beaubien): Thank you, Mr. Peterson.

The Committee adjourned, to meet after the House rises this afternoon.

The Committee resumed at 4 o'clock p.m.

The CHAIRMAN (Hon. Mr. Beaubien): Gentlemen, we will come to order.

By Mr. Biggar:

Q. Mr. Peterson, you painted a rather dark picture to the Committee of the prospects of railway operation in Canada. I suppose you have seen Professor McDougall's evidence before the Committee at its last meeting?—A. Yes, I just had a look at it, thank you.

Q. Have you seen it in print?—A. No, I have not.

Q. And you have not seen therefore the chart?—A. Yes, I obtained a copy of the typewritten evidence.

Q. Your views, I suppose, as to the future would not differ widely from those expressed by Professor McDougall?—A. No, I think not.

Q. You suggest two ways in which the outgo in relation to the railways might be reduced, first, by the reduction of wages and, second, by some kind of unified management?—A. Yes.

[Mr. Charles W. Peterson.]

Q. Turning to the first of those, there is a passage in the memorandum you read to the Committee this morning which suggests that urban wages generally, and not merely railway wages, are rather out of line with the remuneration that a farmer or anybody connected with export production can get?—A. Yes, sir.

Q. Would in your view the level of railway wages be more out of line with the farmers' remuneration than other urban wages?—A. Absolutely so.

Q. Have you any figures to indicate the extent of that difference?—A. No, not anything beyond what I submitted in my brief this morning, but it is common knowledge that railway wages are perhaps the highest of any industrial wages in the community.

Q. And your view is that that level of railway wages has increased out of proportion to other urban wages during the last twenty-five years?—A. Yes, sir.

Q. Do you suggest any particular explanation of that beyond the pressure of the railway unions as suggested in your brief?—A. There is not any explanation.

Q. There is not any?—A. I would not think so. Industrial wages depend entirely on the ability of organizations to control an increase.

Q. Would you say that the difference between the level of railway wages and the level of other urban wages had always existed, or has it become aggravated since 1913?—A. It has become aggravated probably, but it always existed.

Q. It always existed to some extent?—A. Yes.

Q. There are two or three other points which occur to me with regard to what you suggested. You spoke of a recent soil survey in the province of Saskatchewan indicating that about 29,000,000 out of a total possible 33,000,000 arable land was already under cultivation?—A. Yes, sir.

Q. Can you tell us who made that survey and when?—A. It was made by the soil experts of Saskatchewan university, but it is only fair to say it must have been a reconnaissance survey, which cannot be accepted as absolutely correct, but it gives a fair indication of what the situation is.

Q. Is there any corresponding information with regard to the provinces of Manitoba and Alberta?—A. No, sir, but I believe they are making a similar survey in those two provinces.

Q. Is there any reason to suppose that the relation of arable land to cultivated land is widely different in those two provinces from the province of Saskatchewan?—A. I would not think so. Probably in Manitoba, but not in Alberta.

Q. One other small point. You spoke on page 29 of the Duff Commission having referred to 17,000 miles of lines as paralleling and unprofitable lines. Can you give me a reference to the part of the report or the evidence of that?—A. I am afraid I cannot. It was purely an incidental figure I took out of a summary of the report.

Q. I have looked at the proceedings of that commission and I did not find that, at least I have no memory of it.—A. I may be misinformed, sir, but I took it out of a summary of that report in some magazine.

Q. You know of course that the Canadian Pacific estimate contemplated the abandonment of only 5,013 miles?—A. I am really not very well acquainted with the position of the Canadian Pacific, I have not followed it particularly. I have read some statements, but I have not paid any particular attention to their case.

Q. A point you made with regard to the relation of labour to the railways as independent organizations and as a unified organization I did not quite follow. You said you thought it was in the interests of the railway unions to support unification because they would thereby be protecting their employ-

ment. Did I correctly understand you there?—A. That is as far as practicable the position I should think railway labour would take. Under unification the pressure would not be as strong as it would be under separate management where they have no other methods of effecting economies.

Q. I wondered why you suggested that, because I have a little difficulty in following it.—A. I suggested it for this reason. I think the attitude of labour on unification is preposterous from their own point of view.

Q. Exactly. That is what I want to get at.—A. Because under separate management I fail to see where any substantial savings are going to be made. Under unification, whatever the savings may be, there are certainly enormous savings in sight, and obviously the pressure of wages would be much greater under individual than under unified operation, simply because they have not the same forces of economy.

Q. But you pointed out that the position of the unions was stronger when the employer was the Government than when it was a private corporation?—A. Well, I took it for granted of course that some steps would be taken to remove the operation of railways entirely from Government influence.

Q. But I am putting it from the railway unions' point of view. You still adhere to that view that the position of the unions is stronger in relation to the Government than it would be in relation to a private corporation?—A. Quite true, sir.

Q. The ground upon which you put that, I understood, was that in the case of the private corporation they had, as it were, only one string to their bow, that is to say, "we will close up your undertaking for a time unless you agree."—A. Yes.

Q. Where as in the case of the Government there were two strings: "We will close up your undertaking as in the case of the private corporation, and as an alternative we will choose some other Government to replace your Government if you do not agree."—A. Well, I was dealing with the question as an economic question. We must concede that any enterprise must pay its operating expenses out of revenue. They may be able to draw on capital to do it, but they cannot do that indefinitely. Therefore anything that would enable the railways to meet their operating costs, any economies whatever that could be effected, would be very much for the benefit of labour.

Q. But is it true in regard to the railways in Canada that it is necessary wages of labour should be paid out of revenue; has it ever been true on the Intercolonial?—A. No, but nobody regarded the Intercolonial railway as a business proposition. It was constructed for certain purposes and under the terms of the agreement I imagine if there was a loss the Government naturally had to foot the bill. But the railway situation as a whole must be looked upon as a business enterprise.

Q. Is not that assuming an attitude in opposition to the case that has been made before this committee which is, as I understand it, that not only the Intercolonial but a large number of other lines have been built in Canada, not for the purpose of making revenue but for the purpose of improving the general economic position of this country, and that it is justifiable for the public treasury to bear the deficit on the cost of operation of a great many lines?—A. In the early history of the country I imagine there were many cases where colonization lines were absolutely necessary, but I imagine no colonization line would be built that would not ultimately pay its way.

Q. But Mr. Hungerford told us last year there were a number of lines included in the Canadian National system—he did not specify them—which no private company would think of continuing to operate, but which were operated in the national interest. I am only pointing that out to ascertain whether your general proposition that wages must be paid out of revenue can really bear examination?—A. My answer to that would be this, that sensible

[Mr. Charles W. Peterson.]

people do not build railways that are for ever going to be a burden on the public.

Q. That they think are for ever going to be a burden on the public?—A. Sooner or later a railway constructed must pay its way either as a feeder to the main line or as an independent proposition. You cannot build a railway system in a great country like Canada and expect to send the bill to the taxpayer every year.

Q. Suppose all the railways in Canada were operated under Government control as a single organization, would it be true that the labour force must be paid out of revenue?—A. It is true to this extent: as soon as possible the Government and the railway, or the combined or whole railway system, must pay its way.

Q. Is it true when you take water transportation, for example, in respect of which there is very little revenue, or when you take roads, in respect of which there may or may not be a revenue?—A. Well, it is perfectly true that all over the world railway systems under Government operation do not pay their way. In Australia I do not think they ever paid their way. I do not think the railway system in Denmark ever paid its way. And they try to bring such economies as they can. When they have exhausted the possibilities of that there is nothing to do but to let the public foot the bill.

Q. Don't you then come down to the question of whether the operation is or is not in the public interest?—A. Naturally it would be. Of course a country like Canada must have a system of railway transportation. A country like England could do without it, but I suppose questions of policy must enter into the subject.

Q. Well, I am just trying to find out why you say that this thing must be dealt with. Why cannot we go on as we are?—A. Well, it would not be good business if there is any possible chance of making these railways pay. If there is not, we are powerless.

Q. Perhaps you would really rather put it on this ground, that the demands on the treasury of Canada, not only for railway purposes, but all purposes, are greater than can conveniently be met?—A. Yes, it might be put that way.

Q. And therefore if you get an opportunity to make an economy in the railways you would to that extent relieve the pressure on the treasury?—A. No doubt about that. On the other hand, you cannot overlook the fact that if a country is going to give transportation at less than cost, it has no business to encourage private enterprise to enter that field.

Q. But having encouraged private enterprise to enter the field; having then, as you state, given control of that private enterprise to a public body, the railway commission, is there any further step that the Government could or should not take? I mean, where do you draw the line?—A. Well, the only step the Government can take is to try and work out plans of the greatest possible economy and the smallest possible loss.

Q. You put it on that general ground?—A. You cannot put it on any other.

Q. Not specially with regard to railways, but generally with respect to public utilities?—A. Partly, yes.

By Hon. Mr. Calder:

Q. In your statement did you advocate that the railways should be put in a position where they would pay all the costs out of revenue?—A. Well, that was my mental attitude, Senator.

Q. Do you think that is possible? You say that was your mental attitude?—A. That was my mental attitude, and I would go so far as to say this: that having utilized every possible opportunity for economical operation, if there then was a deficit I suppose the public treasury must stand for it.

Q. What you were doing then, this morning, was simply to advocate whatever economies you thought were possible?—A. Exactly.

Q. And now you say that if, when that has been done, there is a deficit, the state will have to take care of it?—A. I cannot see any other way, because railways are absolutely necessary in a far-flung country like Canada.

By Hon. Mr. Robinson:

Q. To go further. If the state has to take care of the deficit, and if, as has been pointed out by the witnesses including Professor McDougall, the revenues are in a decline, and have been for years and will keep on declining, I suppose that will mean the state would have to take care of the deficits of the C.P.R. as well as of the Canadian National?—A. Oh, no, I would not go as far as that.

Q. How could it escape?—A. The C.P.R. would go into a receivership, I suppose. That is all there is to it.

Q. They would be practically in the hands of the Government if this scheme were carried out?—A. That would be the logical thing. Then the Government would be responsible.

Hon. Mr. HAIG: No, they would not. They would only be responsible for the operation of the roads. No receiver pays any debts except out of what is left over.

Hon. Mr. ROBINSON: These roads have large bond issues.

Hon. Mr. HAIG: The bondholders have put their money on the wrong horse.

Hon. Mr. ROBINSON: The suggestion was that they would be guaranteed.

Hon. Mr. HAIG: I never heard that.

Hon. Mr. DANDURAND: There is a procedure by which the bondholders take charge when their interest is not paid, and substitute themselves for the shareholders and continue the administration of the railroad.

Hon. Mr. HAIG: Sure. That is, I presume, what Mr. Paterson would expect to happen.

The WITNESS: Of course, the question of public policy would come in. Would it be good policy to let a great corporation get into that position?

By Hon. Mr. Haig:

Q. I understood you to say that you thought a certain amount of unification would effect some saving. For instance, in Calgary there is a central ticket office for the C.P.R.; there is also a central ticket office for the C.N.R. In Edmonton the same is true.—A. And two station ticket offices.

Q. Would you suggest that by unification you could save one ticket office in each city?—A. That situation applies the world over. I expect there are ticket offices in Australia, South Africa, Great Britain, France—everywhere. In the United States there are hundreds.

Q. You think that would be a saving to the road?—A. Absolutely. That is the first thing the United States Government did.

Q. Following Mr. Biggar's question, after you made all those savings, if there was enough to balance the budget, then the railroad men, the employees of the road, would be in a much stronger position?—A. No question about that, sir.

Q. That is your argument?—A. If I were drawing my living out of a railway, that is the position I would want it to get into.

Q. You would be in favour of unification of these services?—A. Oh, certainly.

[Mr. Charles W. Peterson.]

Hon. Mr. ROBINSON: If you have unification you are going to save a lot of money, but you have got to get into a pretty entangling alliance. You have to abandon roads and shops and form a united railroad or you cannot get very far, and it does seem to me very doubtful whether it will be easy to untangle the proportion of the losses of the C.P.R. and of the Canadian National. You treat that rather cavalierly, and say the C.P.R. has to look after its own bonds, but there is one united railway.

Hon. Mr. CALDER: As I remember, Sir Edward Beatty laid a proposition something like this before us: that the terms of unification would have to be settled by contract between the C.P.R. and the Government; and if I remember correctly, he said that for the purpose of making that contract we would take the earnings of both systems for a period of years and finally reach an agreement as to the proportion of the new earnings that we would be entitled to, to pay our bondholders from the receipts of unification. Now, if such an agreement as that is entered into, the new system would not concern itself at all with the bonds of the C.P.R. They would simply get their share under that agreement, and if that share did not take care of the interest on the bonds the unified system would not be concerned at all. You remember him making a statement along that line.

Hon. Mr. ROBINSON: I do, and I remember him also saying the issue of bonds would mean a new guarantee.

Hon. Mr. CALDER: That is construction.

Hon. Mr. ROBINSON: I am talking about the physical condition.

Hon. Mr. CALDER: Oh, there is no doubt about that. And I understood him to say he would make a recommendation to his stockholders that an agreement along those lines be entered into.

Hon. Mr. ROBINSON: I think that is correct.

Hon. Mr. CALDER: The unified system would not be interested in the bonds of the C.P.R.; whatever there was to take care of those bonds would come out of their proportion, to be agreed upon.

Hon. Mr. ROBINSON: Do you not think, regardless of all that, that having become so entangled and so unified, the bondholders would come to the Government and say, "You are responsible?"

Hon. Mr. CALDER: Not if they entered into an agreement to the contrary.

Hon. Mr. ROBINSON: They are not a party to the agreement.

Hon. Mr. CALDER: They must be a party to the agreement.

Hon. Mr. ROBINSON: Do you think it would bind them?

Hon. Mr. HAIG: If you were a bondholder of the C.P.R. you would be glad to enter into such an agreement. The bondholders of the C.P.R. would join in this agreement because to-day their bonds are very uneasy.

Hon. Mr. CALDER: And the picture is getting worse. The picture of railway companies the world around is such that I think any bondholders would be glad to enter into any agreement that would to some extent protect them.

Hon. Mr. ROBINSON: They generally want all they can get, and with the Government behind it—

Hon. Mr. HUGESSEN: What would happen when the bonds matured?

Hon. Mr. CALDER: There is too much law in that for me.

Hon. Mr. HAIG: Nothing would happen. The agreement suggested by Sir Edward Beatty was this: that he and his shareholders—which would have to include his bondholders, or otherwise they would have to let the road go into bankruptcy, and then they would be wiped out—

Hon. Mr. MURDOCK: Where do you get that?

Hon. Mr. HAIG: That is the only possible solution—and I do not want to scare anybody. You do not have to be deaf, dumb and blind to know that if the present condition goes on, as outlined by Professor McDougall—and I think he was very moderate—the stock of the C.P.R. will be worth nothing, the secondary bonds will be worth nothing, and it will be only a question of time whether any bonds will be worth anything. Therefore those bondholders would be most delighted to have an agreement with the Government, because if \$10,000,000 or \$40,000,000 or \$50,000,000 could be saved, they would benefit. They would say, "That gives us a better chance to get our money than we have under present conditions." And I understand Mr. Peterson to say, and I agree with him on this point, that the men would be better off, ultimately, under amalgamation. The only problem would be with respect to the men immediately thrown out of employment. They would have to be dealt with.

Hon. Mr. HUGESSEN: But would the present bondholders of the Canadian Pacific waive their claim on the property? That is the question.

Hon. Mr. HAIG: They would to the extent of that agreement, that is all.

Hon. Mr. HUGESSEN: That is only as far as their interest is concerned.

Hon. Mr. HORSEY: Would they agree to destruction of assets?

Hon. Mr. HAIG: They would agree to the extent of this amalgamation.

Right Hon. Mr. MEIGHEN: If I appreciated Sir Edward's argument, it was this. We will agree on a period of years and take the average earnings of our road over that period, and the average of Canadian National earnings, that is earnings less operating costs. We will make earnings under the unified system. To the extent that those earnings equal the average earnings over this agreed period of years, we will divide them in the precise proportion that they were over that period. We will regard earnings over that average as earnings accruing because of the unification, and the Canadian National will be entitled to at least half of those improved earnings—he expected there would be improved earnings. Now, from memory, I think that Senator Haig is right. Sir Edward said: I can only recommend this. It certainly would have to be approved by our stockholders. And I am pretty sure he said it would have to be approved by the bondholders. Ordinarily the bondholders would not have to approve, but here the bondholders are unquestionably entitled under their trust deed to the operation of their road. The company could not abandon the operation of part of its road and be true to its bondholders. Therefore, the bondholders would have to come in and assent. But, as Senator Haig has pointed out, the bondholders have only one thing to look at. The road itself is no good; bricks and rails and so on are no good if they are not earning anything. So the bondholders have only to look at the earnings. And the bondholders will see a prospect of better earnings under unification than there is now. But the security will still be on the Canadian Pacific; there is to be no undertaking by the unified management to pay bondholders anything. If the earnings under unification do not improve, bondholders will be no better off; and if the earnings are not as good as before, they will be worse off.

Senator Hugessen asks what would happen when the bonds matured. The Canadian Pacific bondholders would be in exactly the same position as if the bonds matured now. Sir Edward Beatty said that inasmuch as the earnings improve they would be better able to renew their bonds.

Hon. Mr. DANDURAND: And if they did not improve?

Right Hon. Mr. MEIGHEN: Then the company would have to go into receivership.

Hon. Mr. ROBINSON: No. I think he said that if they failed to pay interest, the bondholders would automatically become stockholders.

[Mr. Charles W. Peterson.]

Hon. Mr. HUGESSEN: I think he said that the great majority of Canadian Pacific bonds had no term, that they were perpetual.

Right Hon. Mr. MEIGHEN: That is their problem, not ours.

Hon. Mr. HAIG: Senator Robinson is right. He said they became stockholders.

Right Hon. Mr. MEIGHEN: Yes, they would.

By Hon. Mr. Dandurand:

Q. You have told us, Mr. Peterson, that the administration of the two railways has been good, that the management have done their duty in administering the Canadian National and the Canadian Pacific?—A. Yes sir.

Q. And that the instructions to the two railways, under the Act of 1933, to compress their expenditures, had given certain results, and you felt that no more results could be obtained under co-operation. I should like you to be present when we have representatives of the two railways here and see what they have effected, since the 1st of July, in the form of co-operation, in schemes of abandonment which are presently before the Transport Board, and others that are on the way to that board. If you were here I think you would realize that the two railways have only begun to act seriously under the legislation of 1933 to reduce their expenditures.—A. I would like to believe that.

Q. You have said in your submission that if lean lines must be maintained for the service of a certain region, and the Canadian National is carrying that load for the state, then the state should cover the deficits, for the purpose of good book-keeping with the Canadian National?—A. Well, under a unified system, of course.

Q. Well, under co-operation as well, or the present system.

Right Hon. Mr. MEIGHEN: After every possible economy.

By Hon. Mr. Dandurand:

Q. I am speaking of lean lines. I think you will find on the map that there are thousands of miles of lean lines, including the Intercolonial Railway, that are unprofitable and have always been so. If you were here I would ask you to indicate to me the lines that should be abandoned and have the rails lifted.—A. I could not do that, sir.

Q. If it is justifiable to maintain these lines as a public service, what difference does it make whether the deficits are carried by the Canadian National, whose shareholder is the state, or by the state directly?—A. No, there is no difference, sir.

Q. There is no difference?—A. No.

By Right Hon. Mr. Meighen:

Q. But your argument is that that condition only arises after every practical economy has been explored and put into effect?—A. Of course.

Q. Your stress was on the economy?—A. Yes. I imagine there are a great many unprofitable lines that simply could not be closed, which it would be against the public interest to close. And in that case I say that if the Government of Canada, in the public interest, wishes to have these lines carried on, it is only fair, for purposes of public book-keeping, to subsidize them, unless they have already been subsidized.

Hon. Mr. CALDER: In my judgment that whole situation would be taken care of under the agreement between the Canadian Pacific and the Government, as we discussed it a moment ago. The two roads amalgamate. There is an agreement between them that they will take into account their earnings for a period of ten, twelve or fifteen years, as the case may be, prior to the time of

amalgamation. The amalgamation takes place under that agreement. All lines, good and bad, including these lean lines, are there. The agreement provides that each of the component parts will be entitled from the earnings to a proportion based upon their earnings in the period of years agreed upon. Now, even if there are economies, it must be expected that there will be a deficit in so far as the Canadian National end of it is concerned. All the economies that we have been discussing will not take care of the whole load, and the state will have to pay with regard to these lean lines.

Hon. Mr. ROBINSON: If by earnings are meant the earnings before bond interest is taken out, there would not be a deficit on the Canadian National.

Right Hon. Mr. MEIGHEN: There would be a deficit as against the bond department, that is all.

Hon. Mr. ROBINSON: If bond interest is charged, yes.

Right Hon. Mr. MEIGHEN: Senator Calder says that even with the distribution of earnings, in proportion to the earnings of the years agreed upon, and the distribution of extra earnings attributable to the unification, on the basis of half of these extra earnings to each road, the Canadian National's receipts would not be sufficient to take care of the bond obligations.

Hon. Mr. CALDER: That is right.

Right Hon. Mr. MEIGHEN: And the state, in making good that deficit would be contributing towards the lean lines.

By Hon. Mr. Robinson:

Q. You referred to the English system?—A. Yes, sir.

Q. They have four systems?—A. They have four regional systems, non-competitive.

Q. The whole mileage of railways in Great Britain is less than that of the Canadian National?—A. Oh, yes.

Q. And in England, although the area is comparatively small, it was considered advisable to divide the railways into four groups?—A. Yes, sir.

Hon. Mr. DANDURAND: Of 5,000 miles each.

Hon. Mr. ROBINSON: And we are asked to put 40,000 miles into one group. I do not think that would be following the English plan.

Hon. Mr. CALDER: But, as I understand it, there is no competition between the four groups.

Hon. Mr. DANDURAND: There is.

The WITNESS: Radiating from London, there would be a little competition. With four regions in a thickly settled country like Great Britain, you could not eliminate it altogether. But the objective of the Government was to eliminate it as far as possible.

Hon. Mr. CALDER: Personally I regret very much that we have not had some people from the Old Country to tell us about the actual situation over there.

Q. I have been told that if a person in London buys a ticket for Edinburgh, he can travel with that ticket on any railway he likes. Do you know if that is so?—A. I think that is a fact, sir.

Q. You think it is a fact. Is it?—A. I don't know, but I think it is.

Q. I am told this again. A man wants to send a car-load of groceries from London to Aberdeen, we will say. He takes his goods down to a freight station, and he does not care a hang as to what railway takes those goods. All he does is dump them down at the station, and that is an end of it so far as he is concerned. Now, if those conditions do prevail, there is no such thing as competition in the Old Country. That is, if they pool all their freight and all their passengers.

[Mr. Charles W. Peterson.]

Hon. Mr. ROBINSON: I think we ought to have somebody from England to tell us about that. We know nothing about it. What I was trying to follow up was this. Under unification we should have a huge system running from the Atlantic to the Pacific, and in my mind it has always been doubtful whether any unified management of such a huge system could be a success. England seems to have thought it was too big an undertaking to have all the railways as one system.

The WITNESS: There is a strong agitation to consolidate.

By Hon. Mr. Calder:

Q. That is a statement made by you and by the gentleman from Winnipeg, Mr. Meikle. He told us what you have told us to-day, that there is an agitation among the railway employees of Great Britain for unification of the four systems in the Old Country.—A. They of course realize over there that their wages must come out of earnings. They are interested now to see the railways are run as economically as possible.

Hon. Mr. ROBINSON: However, the powers that be do not think that wise.

By Hon. Mr. Hugessen:

Q. The reason why labour in England is in favour of unification is that railway labour is part of the Labour party, which believes in the nationalization of all the railways in Great Britain, and the unification of all the present lines as a first step.—A. They were very bitterly opposed to it to begin with, senator, but it is quite possible.

Q. I think that is the real reason for their desire for unification.—A. It is not the official reason. There may be other influences at work behind the scene.

By Hon. Mr. Dandurand:

Q. Mr. Peterson, in the concluding remarks of your brief you say: "The Government itself refuses to face these desperate realities and complacently condones ruinous deficit on railway operations." Does that cover a number of years or are you speaking of the present Government?—A. Well, the matter has become acute the last three or four years, and as far as the public knows there have not been any steps taken to correct it, except the work of this committee of the Senate, which is most encouraging to everybody who believes in democracy. That is the basis of that statement.

Q. But I suppose you know what Parliament did in 1933?—A. Yes, I know about that.

Q. And you know upon what that policy was based, upon the report of the Duff Commission?—A. Yes.

Q. Which recommended a number of economies eliminating competition to that extent, but refusing amalgamation or unification?—A. Yes.

Q. The two railways are supposed to have been working under this Act of Parliament, which said that: "for the purposes of effecting economies and providing for more remunerative operation, they are directed to attempt forthwith to agree and continuously to endeavour to agree, and they respectively are, for and on behalf as aforesaid, authorized to agree, upon such co-operative measures, plans and arrangements as are fair and reasonable and best adapted (with due regard to equitable distribution of burden and advantage as between them) to effect such purposes. They are further directed that whenever they shall so agree they shall endeavour to provide through negotiations with the representatives of the employees affected, as part of such measure, plan or arrangement or otherwise, for a fair and reasonable apportionment as between the employees of National Railways and Pacific Railways, respectively, of such employment as may be incident to the operation of such measure, plan or arrangement.

(2) Without restricting the generality of the foregoing, any such measures, plans or arrangements may include and be effected by means of—

- (a) new companies controlled by stock ownership, equitably apportioned between the companies;
- (b) leases, entrusting agreements, or licences, or agreements for the pooling and division of earnings arising from the joint operation of any part or parts of freight or passenger traffic, or express, telegraph, or other operating activities or services;
- (c) joint trackage, running rights, joint ownership, or joint operating agreements, depending upon the nature of the property or services included in any co-operative plan”;

This is what the Parliament of Canada decided in 1933 that the two railways should do?—A. Yes, sir.

Q. They have started doing that work. It takes a long time to bring such operations about. I believe the two railways have not put their hearts into an attempt at co-operation as directed by this Act. Now, if they do so, a number of the things you have mentioned, such as ticket offices, express offices in various towns and cities, telegraphs, telephones and so forth,—all these things can be done under this co-operation?—A. Not all of them, sir. One of the greatest—

Q. Not as easily, you say, as if there was unification?—A. No. The mere competition for the patronage of the public is something that two competing lines could never get away from.

Q. But if they pool their passenger services don't they eliminate to that extent any expenditure on publicity, and would not they also effect economies in joint ticket offices?—A. The criticism, sir, of the man on the street is that theoretically that is perfectly all right, but it actually has not been done.

Q. It has not been done. They are working towards it, and I think there are proposals to-day for pooling passenger trains in competitive areas. That is being studied now.—A. Yes, sir.

Q. If the passenger services are thus pooled, does not that effect a considerable economy?—A. Yes, every step like that is a step in the right direction.

By Right Hon. Mr. Meighen:

Q. Mr. Peterson, do you think it is possible to have substantial mutuality of interest in business until there is mutuality of interest in the proceeds of the business?—A. I would say it is absolutely impossible, human nature being what it is.

By Hon. Mr. Dandurand:

Q. And yet the Duff Commission, composed of important and capable men—I need not give you the names, you know them.—A. I know them, sir.

Q. The commission included a representative from the railways of the United States. The nearest that commission could come to amalgamation would be this co-operative work to be done between the railways.

Hon. Mr. BLACK: The unfortunate part, senator, is that it has not been done.

Hon. Mr. DANDURAND: It has not been done because the Canadian National and the Canadian Pacific have not called upon an arbitral court when they differed. I should like to have them here to ascertain what they have effected so far, and why when they have disagreed they have not gone to an arbitral court. During the latter part of this inquiry as we proceed I think we shall see how near they could come together while balking at a final decision which would call for arbitration.

Hon. Mr. BLACK: But we had a statement made by those who appeared before us last year that that could not be done unless a body was appointed to make them do it.

[Mr. Charles W. Peterson.]

Hon. Mr. DANDURAND: I know. Each railway does not like to force the other into an arbitration court, and Mr. Hungerford suggested there should be an umpire appointed. I recognize of course that the Canadian Pacific says, "You invade my autonomy, my rights granted to me by the country." But as a matter of fact we are giving the Canadian Pacific a chance to diminish its own expenditure and to work out its own salvation. The Canadian Pacific cannot say that the State has nothing at stake. My right honourable friend in the Senate and Mr. Bennett in the House of Commons sponsored this Act and said to the Canadian Pacific and the Canadian National, "Work out your salvation." You may say the Canadian National is less interested than the Canadian Pacific because it can always call upon Parliament to pay any deficit. The principal interested party is the C.P.R., and it must expect to make a certain sacrifice of its autonomy in order to save itself, and it has not done so.

Hon. Mr. BLACK: They both must, but they do not.

Hon. Mr. DANDURAND: I am not ready to say the responsibility of one is greater than that of the other, but I feel that the C.P.R., having to go back to its shareholders for money or to draw upon its own credit, is interested as much as, if not more than, the Canadian National in making use of this Act of 1933. I am quite sure we shall find in our inquiries that co-operation is very near on many questions. I believe they will be able to show us ten times more economies can be effected under this Act than they have been able to bring about during the last three or four years.

Hon. Mr. BLACK: If your optimism is well founded.

Hon. Mr. HAIG: Senator Dandurand, you missed one thing that worries me. Under that Act no provision is made at all for the man that loses his job.

Hon. Mr. DANDURAND: I will answer that. In the speech I made on the Address, I said we could explore the question of the employees laid off, and that this would be a most important and vital question because under co-operation or unification many employees would be retired. As many as 17,000 or 20,000 men have been laid off since 1933.

Hon. Mr. MURDOCK: Not as a result of pooling.

Hon. Mr. DANDURAND: But they went out. I think the most constructive work that this committee can do will be to propose a plan similar to that under the Washington agreement, where the carriers and the employees came together, or similar to the British plan—if there is one, for I have never read it yet—by which if economies were effected by the abandonment or degrading of rails, the employees laid off should be taken care of in a fair way. That we have not explored so far.

Hon. Mr. MURDOCK: We thought we were doing it by that Act.

Right Hon. Mr. MEIGHEN: Senator Dandurand, I must admit at one time I had the view you have, that this could be done by co-operation. The C.P.R. resisted, and I resisted them. They said, "You cannot get effective economies while you have divergence of interest. You must have mutuality of interest in order to bring about such economies. You cannot have mutuality of interest that brings results unless you have mutuality of interest in those results." Now, if without effecting major economies—major economies in the tremendous sense relative to the rather picayune ones we have got or that in my judgment we are likely to get—we do not set ourselves to do what the resolution appointing us says we are to do, to inquire into and report upon the best means to relieve the country of the extremely serious railway condition and the financial burden consequent thereto on our backs, instead of reducing that debt we shall end up by increasing it.

Hon. Mr. DANDURAND: Or passing it on to relief.

Right Hon. Mr. MEIGHEN: Or passing it on to relief; and the country will rue the day we ever appointed this Committee.

By Hon. Mr. Murdock:

Q. Mr. Peterson, I understood you to say this morning that labour costs amounted to about 62 per cent.—A. The labour cost is a varying amount, sir; it runs all the way from 70 per cent to 59 per cent, I understand. The fact that the proportion of labour cost is reduced has no particular meaning, because new expenditures come in, for instance, taxation. It is quite possible that a heavy item of taxation would reduce the labour proportion.

Q. When this morning you made a very splendid argument from your point of view in connection with the extreme necessity of reducing wages. Would you care to suggest about how much you think they should be reduced?—A. No, I would not, sir, because that would be a matter for the system when unified, and is one of the things that would have to be studied. I am not competent to give any information on that at all. When the War broke out there was a reduction of, I think, 15 or 20 per cent.

Q. Twenty per cent.—A. I certainly would not go beyond that unless it was a matter of absolute necessity. They might reduce by 10 per cent and see how they got on, and if they could not then make the grade they might reduce another 10 per cent. The same thing happens in my business. I deal with three international unions.

Q. Are you the Mr. Peterson who was formerly the manager of the Colonization and Immigration Department of the C.P.R.?—A. Yes.

Q. So you understand Western conditions?—A. Yes. But please let me make an explanation. I would not want anyone to think that I am here to promote C.P.R. interests. As a matter of fact, I was in the Company's service about twenty-five years ago and had a very serious falling out with the management, which ended in my immediate resignation, and I cannot look back upon my connection with that Company with any degree of satisfaction.

Q. I am a C.P.R. employer on furlough, myself, right now, so in that respect I am a little better off than you.

Some Honourable SENATORS: Oh, oh.

By Hon. Mr. Murdock:

Q. Now, this morning I understood you to say that the high labour rates of the men in Canada were the result of taking example from similar rates in the United States?—A. No. But in a general way I think the economic situation of the United States more or less dictates the situation here.

Q. Do you know how much less, generally, the Canadian railway men are paid than those in the United States?—A. 8 per cent, I believe.

Q. Professor McDougall said from 10 to 13 per cent.—A. Quite possibly, sir. But we must not overlook the fact that rents in the United States are normally higher than they are here, and that men running out of cities like Chicago and New York have a very considerable increase in the cost of living.

Q. What about the Canadian National lines in the United States paying 10 to 13 per cent more than similar lines in Canada? What would you do about that?—A. I would not do anything, because the whole labour question in the United States is purely politics, and there would not be any possibility of reducing wages on one line down there. That could not be done.

Q. I think that is good judgment. Now, I hope you won't mind this. You said you received a typed copy of Professor McDougall's statement before this Committee about a week ago, and that you had not read the printed record. I feel a little bit ignored in that I did not receive any typed copy.

Mr. BIGGAR: I had better explain that. Senator Meighen sent it.

Hon. Mr. MURDOCK: I am sorry.

Right Hon. Mr. MEIGHEN: If I am to be indicted, let it be done now.

Hon. Mr. MURDOCK: Oh, no.

[Mr. Charles W. Peterson.]

By Hon. Mr. McRae:

Q. I would like to clear up one point, Mr. Peterson. Professor McDougall and you have painted a pretty black picture of the future of steam railways in both the United States and Canada. I entirely agree with you in that. But later in your statement I gathered the impression that you thought the country had a responsibility to the shareholders of all private railways. Would you say we have any more responsibility to the shareholders of private railways here than they have in the United States where there is no public ownership at all?—A. No, sir, I do not think so. When I say that I suppose I ought to qualify it. For instance, the Transport Commission here is appointed to fix rates and wages. Well, obviously they cannot fix rates and wages on a basis that makes the railway companies go broke.

Right Hon. Mr. MEIGHEN: I do not think our Transport Commission fixes wages.

The WITNESS: Well, the Railway Commission.

Right Hon. Mr. MEIGHEN: No, just the rates.

The WITNESS: I beg pardon. I meant to say rates.

By Hon. Mr. McRae:

Q. You mean freight rates?—A. Freight and passenger rates, yes.

Q. But you would not say that is the only reason why we have a greater responsibility to the shareholder here than they have in the country to the south of us?—A. Yes. In the days when the C.P.R. was prosperous, for instance, it would have been quite possible for the Board of Railway Commissioners to have fixed a rate that would have put them into the red. That is to say, they must consider the people who put money into enterprises for the purpose of getting a reasonable return.

Q. But you, Sir Edward Beatty, and others here, have all said that rates should not be advanced?—A. Should not be increased, no.

Q. Now, if the Railway Commission has kept the rates at the present level, and they cannot increase them, they should not be charged with keeping them too low.—A. No. But that is a judicial body. They are not bound by the Government. They are quite able to give higher rates if they feel it necessary. I make the statement that the rates should not be increased as a matter of public policy, but I am quite prepared to say in the event of unification, which I believe will come sooner or later, that, after they have exhausted every possible economy, if rates are still below what will meet the outgo, I think it would be a fair proposition for the Railway Commission to consider the rates. It could not be avoided. After all, this is a business enterprise, and the people would have to grin and bear it.

Q. There would have to be a very great change in income, if we accept the picture you paint of the future of our steam railways. I agree with that. Now, the improvement will have to be through labour and unification. That improvement was estimated at as high as \$75,000,000, but I think \$50,000,000 would be very generous. That spread over seven years would mean that there would be a healthy deficit that this country would have to provide to see unification through that period.—A. Yes. To me it looks like time being the essence of the contract.

Q. In the face of those figures and the fact that we have a decreasing business on our steam railways, it does not seem to me that unification is any solution at all?—A. It is a partial solution.

Q. Very partial.—A. I would not say very partial.

Q. What I have in mind is this. The country generally thinks of unification as a solution of the problem?—A. As far as it can be solved, yes.

By Hon. Mr. Horsey:

Q. Suppose we had full unification?—A. Yes?

Q. I was not here when your paper was read in full. Have you dealt with the loss of morale of employees, and the inefficiency that would come when the spur of competition was removed?—A. Oh, I do not think the spur of competition has very much to do with it, because after all competition only affects those that have the alternative of shipping by one road or another. Take the West, for instance; it does not come in at all, because nine out of ten have no choice.

Q. On the branch lines?—A. Yes.

Hon Mr. CALDER: Even on the main lines.

The WITNESS: It does not mean anything.

By Right Hon. Mr. Meighen:

Q. What do you think is the attitude towards unification?—A. Why should there be any particular attitude, Senator? I do not think there is any public opinion either for or against it. It is a highly technical question. We have Parliament here, and under democracy it is the business of Parliament to find the remedy. The ordinary man in the street cannot find it. He is absolutely uninformed. I do not think that amounts to anything one way or the other.

Hon. Mr. DANDURAND: The Duff Commission rejected unified management and amalgamation, and the reasons why they did so are quite apparent. One reason that was very important in their minds was that the country would not stand for a union of two roads, comprising a formidable system of 40,000 miles and employing 135,000 men, being under their control.

Right Hon. Mr. MEIGHEN: They did not mention any reason.

Hon. Mr. DANDURAND: In their questions put to Sir Edward Beatty, Sir Joseph Flavelle and Mr. Loree said they did not believe the country would stand for such an octopus.

Right Hon. Mr. MEIGHEN: They asked a question about that. They gave no reasons. I got the idea that may be they had been reading a speech about "Amalgamation Never".

Hon. Mr. DANDURAND: Sir Edward Beatty said that if there was unification there would come a time when the country would say, "Let us break it up".

The WITNESS: I think that is entirely imaginary. It is not a question of whether we have one or a dozen systems, but of who has the final say in the systems. If we had the arrangement we have now, under which the Minister of Railways is technically responsible it would be, of course, a very serious matter.

Hon. Mr. DANDURAND: You come to the kernel of the question: "Who shall have the final say?" From the temper of representatives of the people in the Commons, I feel that the answer is, "the people of the country", not "a private management".

Right Hon. Mr. MEIGHEN: Sure.

By Hon. Mr. Dandurand:

Q. Well, if you say that is so, I believe unified management would be a help. It would not be a cure. Now, suppose conditions come to a point where the C.P.R. is going down the hill with all the other railways in the world, and it becomes necessary for Parliament to act, and they decide to merge into the State Railways the Canadian Pacific Railway which is having some difficulty in meeting interest on its bonds and maturities, do you claim then that the State should value the interest of the shareholders and give them a solatium, or compensation for the common stock and the preferred stock?—A. I would not think so, sir.

[Mr. Charles W. Peterson.]

Q. You would not think so?—A. No, not if the company became practically bankrupt. It would be a matter of public policy. I do not know what the attitude would be. I am not in the least concerned whether the unified railway is run by the Canadian National management or the Canadian Pacific.

Q. I put the question because in your submission you spoke of the interests of the shareholders.

By Right Hon. Mr. Meighen:

Q. But you are concerned as to whether there is private management or public management of the unified system?—A. Yes.

Q. As to personnel, you are not specially concerned about that?—A. I regard public management as an absolutely impossible situation in the operation of a public utility.

By Hon. Mr. Robinson:

Q. When you refer to unification, do you mean complete unification of the two companies, including all their activities, shipping and everything else?—A. The more nearly it was unified, I think the better it would be; the more money would be saved.

By Hon. Mr. Calder:

Q. You have made the statement that unification is bound to come. What grounds have you for that?—A. I can see no other way of economizing. And I can see where steam railway transportation is going downhill. Sooner or later the question must be dealt with.

By Right Hon. Mr. Meighen:

Q. Economic forces finally win out?—A. Absolutely. And there is the same position south of the line, and elsewhere.

By Hon. Mr. Robinson:

Q. Suppose unification is decided upon and is brought about, and after operating ten years we find we have made a horrible mistake. How shall we ever be able to get out?—A. Your mistake would not be nearly as great as under separate management.

Hon. Mr. MURDOCK: That is only a guess.

By Hon. Mr. Robinson:

Q. But can you tell me how we could get out?—A. You could not get out. It is quite possible that economic forces would completely destroy steam railways—only we must have steam railways in this country.

Q. But we could not very well extricate ourselves then, could we?

By Hon. Mr. Dandurand:

Q. If you find through our investigation here that the Canadian National is carrying throughout the country a formidable load of lean lines, which cannot be abandoned—that it is doing this service for the state—what advantage would it be for the Canadian National to link up in partnership with the Canadian Pacific?—A. Well, I think the railway picture is changing every day. Lines that could not have been abandoned five years ago can be abandoned to-day. The truck transportation has made an enormous difference in the whole picture.

Q. But you know what Sir Edward Beatty said. While he thought formerly that there were thousands of miles of tracks that could be lifted, he said he was now ready to discard that idea and look towards obtaining economies without lifting that mileage. It had been suggested before that 5,000 miles of rail could be dispensed with.

Hon. Mr. CALDER: And he said that the lifting would mean very little saving of money.

Q. If I remember correctly, Mr. Peterson, you suggested the complete divorcement of the Government from the control over any unified system?—

A. Yes.

Q. Complete divorcement?—A. As complete as it could be made.

By Hon. Mr. Dandurand:

Q. But according to Sir Edward Beatty's scheme, which you adopt—a board of fifteen, made up of five representatives from the Canadian Pacific, five from the Canadian National, and five selected by those ten—the Government or Parliament would be represented by five members, because the state is the shareholder of the Canadian National.—A. I think the only way to introduce the non-political element in a board of directors for a vast enterprise like that would be to have five members of the board nominated by large representative bodies, such as labour, agriculture, business, and so forth. That would mean, if you got one-third of the directors nominated in that way, there would be ten directors representing the two railways. And they would have access to the Transport Board whenever there was any dispute, whenever the minority felt a very important point was involved. In such cases they could go to the Transport Board for a final decision. That board is a judicial body, having all the technical advice necessary to form an opinion.

Q. Have you considered this? If there was such a board of directors as you have suggested, with five members representing the Canadian Pacific Railway's shareholders, what would be the joint action of that board under the aggressive influence of private interests looking for dividends?—A. They would have ten against them, sir.

Q. Perhaps shortly after their appointment there would not be ten against the five Canadian Pacific representatives?—A. I would hate to think that.

Hon. Mr. DANDURAND: My own opinion is that the Canadian Pacific would run the show.

By Right Hon. Mr. Meighen:

Q. Do you not think it is about time that representatives of Canada were using their energies to get some dividends for us? Would they not be as much interested in dividends as the other fellow?—A. I would go as far as to say, sir, that on that attitude depends whether democracy is going to last or not.

Q. It surely does. You have hit the nail on the head.—A. If Parliament cannot find a way out of this difficulty, there is no way to be found, and we had better look for dictatorship.

By Hon. Mr. Dandurand:

Q. You minimize the conflict between public service and private interest?—A. Yes, sir, I do. The point is to minimize that as far as possible. I do believe that the Canadian Pacific, going into this, would go in to save their shareholders' and bondholders' interest as far as it is possible to save them. And I am quite certain that the men appointed by the Federal Government would be men interested in saving this enterprise. And if five other men were representatives of business, labour and agricultural bodies, you would have a board whose sole interest would be to make that property pay.

By Hon. Mr. Robinson:

Q. You do not think a board of that size would be unwieldy?—A. Well—

[Mr. Charles W. Peterson.]

By Hon. Mr. Calder:

Q. There might be four representatives from each group, for instance? You think that government interference should be completely eliminated. Suppose the Government had four or five representatives on that board. And say the Government wanted to get Parliament to vote \$30,000,000 to take care of a deficit. The Government would have no say at all? They could not even make any representations to the board? If there were complete divorcement, the Prime Minister and the Minister of Railways could have no say at any time, so far as the management of the road was concerned? Is that what you had in mind?—A. Yes, broadly speaking, sir.

Q. No, not broadly speaking, but is that exactly what you had in mind?—A. That is what I had in mind.

Q. The Minister would have no right at any time, and Parliament would have no right, through the Prime Minister or the Minister of Railways, to make any representations to that Board?—A. They could make representations, of course.

Q. Well, no right to interfere with decisions?—A. No right to interfere.

Q. The board would run the whole show just as they please?—A. Well, there might be safeguards put in. My suggestion is very rough.

Right Hon. Mr. MEIGHEN: These deficits are now on our backs. They are an obligation to-day and they continue because of what was done in the past. The reason we have the deficits is that we have had too much direct interference.

Hon. Mr. DANDURAND: From the outset.

Right Hon. Mr. MEIGHEN: Yes, from the outset—the outset commencing about the end of 1922.

Hon. Mr. DANDURAND: No, I beg your pardon; it was when we paid \$10,000,000 to a certain bank for valuing the valueless stock of a company.

Right Hon. Mr. MEIGHEN: I would be ready to admit all kinds of offences if we could only get this thing solved. I am not particular whether you put blame on me or not.

By Hon. Mr. McRae:

Q. I take it from your evidence, Mr. Peterson, that you are looking for increasing competition from these other services with our steam railways? And you do not think there is any possibility of penalizing these competitive services so as to get the business back to our railways?—A. I do not think it would be good public policy, sir. I think we should have transportation as cheap as we can get it, and it is up to the railways to meet the competition. Furthermore, you cannot control it, for the simple reason that you are up against the private carriers. Large industries buy fleets of motor vehicles to deliver their own goods, too, and there is no power on earth that can interfere with them. That is competition which cannot be eliminated.

Q. There is no chance of restoring to the railways any considerable portion of what they have lost?—A. I would not think so.

By Hon. Mr. Haig:

Q. In your own province the farmers have bought trucks and they make deliveries themselves?—A. Yes.

Q. And they haul oil from the United States boundary up to Calgary and other places?—A. Yes.

By Hon. Mr. Calder:

Q. And down to Winnipeg and up to Prince Albert?—A. Yes.

Q. In your wanderings around, you meet great many people who are dis-

cussing this question?—A. They are all discussing the terrible deficit. When it comes to remedies, as I pointed out to Senator Meighen, there is not any public opinion at all, except to this extent. One finds that because the Canadian Pacific has made certain representations, some people have come to the conclusion that there must be some ulterior motive. But as to the ordinary person you meet in the West, he simply has no opinion and does not want to have any opinion. The ordinary person feels it is up to Parliament to solve this question, and he is delighted to know that the Senate has taken it up.

Q. Among the people that you are in touch with, the farmers of the West, does this sentiment prevail; that anything in the nature of amalgamation or unification of these two railway systems is bound to be followed by lack of service or lack of proper competition?—A. Oh, one finds that point of view every now and again, but broadly speaking the country is waiting for the lead from Parliament on this subject. And I do not think the average man is bothering his head very much about it. He is waiting till someone in authority outlines a policy on it. And I am quite certain that everybody would fall in line behind it, whatever it might be.

Q. That is a lead towards what?—A. A policy to solve the railway difficulty in some way.

By Hon. Mr. Dandurand:

Q. Do you admit that it is a very complicated problem?—A. Oh, absolutely, sir. There is no question at all about that. But my point is that we are living in a most dangerous era. I do not see any possible chance of any improvement in our economic conditions for years to come. I cannot see where it could come from. And the question is so serious it seems to me it demands immediate attention. Furthermore, democracy is discredited by the failure to deal with an enormously important question like this.

By Hon. Mr. Parent:

Q. Am I fair in assuming that in your opinion it would be better for the railways to be administered privately rather than under public ownership?—A. Do you mean directly? There is no question at all about that.

Q. You think that private administration would be superior?—A. Well, private administration, with proper representation, of course.

Q. What is your suggestion that a proposed board be composed of fifteen persons, five nominated by the Canadian National, five nominated by the Canadian Pacific, and five nominated by a representative of the various big interests all over the country—would you not come to the conclusion that the C.P.R. having five men start with, with its great influence would be successful in getting on this very board more than five men?—A. That is a purely arbitrary figure. I merely wanted to lay down some kind of system.

Q. No. I mean the C.P.R., having a lot of connections all over the country among the big people you speak of, boards of trade and representatives of industry, would you not come to the conclusion that the C.P.R. would be in a position to have on the proposed board so many men that it would control the decision of the railways in case of unification?—A. I would not think the C.P.R. could influence very much. I am quite sure they could not influence agriculture, and I do not think they could influence a chamber of commerce, and I doubt whether they could influence the engineering industry.

By Hon. Mr. Robinson:

Q. They could influence a chamber of commerce?—A. Well, take some other body.

[Mr. Charles W. Peterson.]

By Right Hon. Mr. Meighen:

Q. Do you think there is very much difference if the interests are absolutely identical? Can you see any divergence of interest of our representative as opposed to that of the C.P.R.?—A. No, I cannot.

Q. If you can, give it to us. I am searching for it. But the point raised by Senator Parent is very important. They will be more active naturally if there is a divergence of interest, and care must be taken there is no divergence or, if there is one, that it is protected.—A. You must admit this, senator. There are only a few shareholders of the C.P.R. citizens of Canada, and I cannot bring myself to believe that a large chamber of commerce could be dragged by the C.P.R. or by anybody else to select men who would not serve the interests of Canada.

By Hon. Mr. Dandurand:

Q. Well, I have had considerable experience of such a thing, and I have no doubt if you placed upon a chamber of commerce the responsibility of selecting a representative for that board, the private interests would play an important role?—A. But even so, as Senator Meighen pointed out, I cannot see where there would be any clash of interests under the unified system. They are all there to make it pay. The C.P.R. would be just as much interested as the Government representative to make it pay. I cannot see where the C.P.R. could get any particular advantage under unification.

By Hon. Mr. Murdock:

Q. Here is the C.P.R. annual report which came to me this morning.

Hon. Mr. PARENT: It goes out to all shareholders.

Some Hon. MEMBERS: Oh, oh.

Hon. Mr. MURDOCK: I do not happen to be a shareholder, and never was one. This report shows assets of the Canadian Pacific of \$1,399,000,000. Now then, Mr. Peterson, would not your proposals contemplate merely making the people of Canada liable for that additional debt or most of it, or the revenue on it?—A. I would not think so. In the first place, in the case of amalgamation Parliament certainly would not accept the C.P.R. valuation of their own assets.

Q. Well, whatever was accepted would be an additional liability upon the Canadian people, would it not?—A. I would not think so.

Q. In the final analysis?—A. At any rate, if I were in Parliament I would not vote for that.

Q. Would not the people of Canada have to pay the deficit as they do now?—A. No, I don't think so.

Q. Who would pay it?—A. It would not be there if it was not earned.

Q. But let us say the worst comes to the worst and it was not there, who would pay for it? We are told there is \$50,000,000 or \$75,000,000 of a deficit now. Is not this assuming the possibility of a great additional deficit?—A. Well, I would not think that Parliament would enter into such an agreement as that to make the country liable for more indebtedness.

Q. I agree with you absolutely that no Parliament dare to.

By Hon. Mr. Calder:

Q. It is a question of agreement?—A. Yes, it is a question of agreement, of course.

By Mr. Biggar:

Q. Mr. Peterson, in one answer you made to Senator Calder I wonder whether it was complementary at all to what you said in your memorandum this morning under competition and services, where you say, "In the early days

the West fought persistently and justly for competition in transportation. With the advent of the Railway Commission and public control of rates and services, however, this issue at once became obsolete." Is it still obsolete?—A. I would say so.

Q. You think there is no interest now in competition so far as Western Canada is concerned having regard to the advent of the Railway Commission?—A. Some people who do not understand the situation might have a prejudice that way.

Q. But speaking generally?—A. If people are properly informed as to the situation, I should imagine such a thing would not occur to-day.

Q. Mr. Yates was good enough to give me a reference to the 17,000 miles. You referred to an enormous mileage of paralleling and unprofitable lines, but this reference is to the light traffic divisions which constitute 42 per cent, or 17,658 miles of railway. I think it is useful to have that correct?—A. Yes.

By Hon. Mr. Robinson:

Q. The suggestion is that the two railways appoint an equal number of directors, five, you say. The Canadian National has a good deal longer mileage and larger traffic than the Canadian Pacific. Would it be fair that the Canadian National should have more directors than the Canadian Pacific?—A. It is quite possible.

By Hon. Mr. Dandurand:

Q. The Canadian National deficit is a deficit on interest account—
Right Hon. Mr. MEIGHEN: Sometimes.

By Hon. Mr. Dandurand:

Q. This interest is guaranteed by Canada and must be paid whether there be unification or not, as it is a deficit on interest account, not on operating.—
A. Yes.

Q. Canada is bound to pay the interest as it is guaranteed.—A. On the Canadian National?—

Q. Yes.—A. Oh, absolutely.

Q. To what extent will unification take care of that?—A. Only through such economies as can be made on operating expenses, the only way any business can do it.

Q. But you have told us that the Canadian National was well administered, and you had no reflection to make on that head?—A. Senator, I do not think I should express any opinion at all because I do not know very much about it except from hearsay. My impression is, and the general impression of the public is, that the management is fairly satisfactory and efficient, but that political considerations come in. I can only express an opinion.

Q. Political considerations: you do not know what it amounts to?—A. No, I could not tell you.

Hon. Mr. CALDER: Senator Dandurand, you remember all the evidence we had on the savings that might be effected through the re-routing of traffic alone? It ran into millions of dollars.

Hon. Mr. DANDURAND: Yes. I answer that under co-operation it can be done thoroughly, re-routing can be done.

Hon. Mr. CALDER: If you can get it.

Hon. Mr. DANDURAND: The two railways have regarded each other as though at arm's length, but I think when they realize that their salvation lies in serious co-operation they will co-operate. We are likely to have some evidence of that before this committee ends its labours.

[Mr. Charles W. Peterson.]

Hon. Mr. CALDER: You think they are making progress?

Hon. Mr. DANDURAND: Yes, I am sure they are making progress.

Right Hon. Mr. MEIGHEN: When you are so old as I am you won't be so optimistic.

Hon. Mr. DANDURAND: That will take some time.

By Hon. Mr. Calder:

Q. Mr. Peterson, I am interested in what you say about the public view at the present time. You say, in effect, that the public, so far as you meet them, are very much concerned about this situation, and they hope that Parliament will do something?—A. I should not like to say they are unconcerned, sir.

Q. No, they are concerned.—A. They are concerned, yes, very.

Q. Well, that means that the great masses of the public are disturbed about those deficits that Parliament must meet every year.

Right Hon. Mr. MEIGHEN: And the consequent taxes.

By Hon. Mr. Calder:

Q. Do you really think that their attitude is general? Do you think the average man on the street cares one harg what Parliament must do to reduce those deficits?—A. Oh—

Q. You know he does not. I am speaking of the average man on the street. You come back to Parliament and ask for \$100,000,000, then you come back again and ask for another \$100,000,000, and then for another \$100,000,000 for this, that and the other thing, and you expect Parliament to provide for it: that is the attitude of the public mind, is it not?—A. Yes, there is a good deal of careless thinking, of course. I do not quite like to take a harsh view of the public. It is said that the average mentality is thirteen years. I think we might put it a little higher, but of course there are a number of people who would not be concerned in any circumstances. I am talking more of the thinking part of the public.

Q. I guess that is right, people who think the matter over and who know something about the situation are a little fearful of what the consequences will be, and I daresay that is the reason why you think eventually something will have to be done.—A. I think the moral effect is terrible, absolutely terrible. People see this deficit going on year after year. The ordinary man sits down and figures out: We pay so much on income tax; if that deficit was not there we would not have to pay it. There is a lot of argument in that way. As I say, in the interests of democracy it is a matter that should be dealt with very expeditiously.

By Hon. Mr. Hugessen:

Q. Mr. Peterson, don't you think all this talk about the terrible deficits is apt to be exaggerated at times? I happened to be in Boston yesterday and on the financial page of the *New York Times* I saw an article which interested me very much. It is quite short. It is headed "Canada Pays Debts As Net Credit Rises." I will quote two short paragraphs:—

Due to the Dominion of Canada's large net credit in international transactions in the last five years, Canada is paying its external debts "on a very considerable scale," according to the Bank of Nova Scotia in its monthly review. Basing its calculations on figures of the Dominion Bureau of Statistics, the bank places Canada's net credit from 1934 to 1939, inclusive, at approximately \$1,000,000,000, or larger than the previous high which was in 1924 to 1928.

Thus, receipts from abroad arising from merchandise exports, gold shipments, tourist trade, interest and dividends, greatly exceeded corre-

sponding payments abroad. The bank points out that the surplus has been chiefly utilized in reducing Canada's foreign indebtedness and only to a limited extent in increasing her external investments and other assets.

I suggest to you in those circumstances this deficit is not so serious an item of our national economy as some people say?—A. If you look at the Bank of Canada report you will find the only reason why we have the large external credit is due to our enormous shrinkage of imports. That is the story.

Right Hon. Mr. MEIGHEN: And the same bank says that the unemployment situation is due to the stagnation of industry and enterprise by reason of taxes. There is the point with me. The unemployment situation is the problem that we should aim to solve. It should be the lodestar of policy all the time. If anybody can point to any other way of meeting the problem, I am as eager as anyone in Canada to find it.

Hon. Mr. HUGESSEN: I sometimes wonder if we are not laying a little too much stress on the financial aspect of this \$50,000,000 a year.

Right Hon. Mr. MEIGHEN: Unemployment is the thing.

The WITNESS: The way the average man argues it is this: Here is \$50,000,000 of deficits, and here is \$50,000,000 of taxes; if we did not have that deficit we would not have the taxes.

By Hon. Mr. Hugessen:

Q. And do you really believe that \$50,000,000 could be saved to the country by unification?—A. I could not express a view on that; but in my view, if \$10,000,000, \$15,000,000 or \$20,000,000 could be saved I think the whole \$50,000,000 could be saved, because under unification you would have methods of economy you never dream of at the present time. In the aggregate, over years, it would surprise you what effect that would have.

By Hon. Mr. Dandurand:

Q. Do you know that the two railways, through sheer necessity, have been obliged to compress their respective expenditures year by year, and have effected considerable economy during those years?

By Hon. Mr. McRae:

Q. Is this a fair statement, that those economies cannot be continued indefinitely, and that money must be available for replacements?—A. I came up on the Canadian National and found a shocking condition along the line so far as maintenance of station buildings is concerned. I suppose they must sooner or later expand these controlled expenses.

By Hon. Mr. Horsey:

Q. If it is in their mutual interest to co-operate, why cannot they make a contract to do so?—A. I am afraid it is not human nature. Theoretically it should be possible.

Q. Why shouldn't it be possible if mutual interest is the driving force?

Right Hon. Mr. MEIGHEN: It is diversity of interests that prevents it.

Hon. Mr. HORSEY: There is mutuality of interest in the savings.

Right Hon. Mr. MEIGHEN: And there is diversity.

Hon. Mr. MURDOCK: It is the hope of unification that is preventing co-operation.

Hon. Mr. DANDURAND: It has been said that a saving could be effected under co-operation.

[Mr. Charles W. Peterson.]

The WITNESS: When there are two systems competing for the patronage of the public, it is impossible.

By Hon. Mr. Dandurand:

Q. But if they make a pooling arrangement on all competitive lines for the carrying of passengers, that would eliminate a formidable expenditure, would it not?—A. When you work that out to its logical conclusion, you come to unification, if you drive co-operation fast enough.

Q. You have a Royal Commission composed of men of high standing, who said, "You do all these things up to within a point of amalgamation, and that is where you find the difficulty." The Act is based on the report of these gentlemen; it is based on the strong instinct of the people against the amalgamation of these two railways. They have come as near together as they can. I think that if the C.P.R. and the Canadian National do the right thing they will accept the spirit of the Act and work out their salvation.

Right Hon. Mr. MEIGHEN: The evidence of the C.N.R. witnesses on that point was exactly the same as that of the C.P.R. witnesses. They said, "When we come to try to effect a co-operative agreement our difficulty is to get a fair balance of burden and advantage." Why that difficulty? Because of diversity of interest. Each of them said the same thing, and there was no evidence at all that one of them was more reluctant than the other. There is the ghost at the door, and they cannot get any progress. We were told in 1933 that would come, and it has come, and they are going to meet that ghost every time they try to get together. It is there, and you cannot get rid of it. To say they hope for amalgamation—surely that does not apply to the C.N.R.

Hon. Mr. MURDOCK: May I express the hope that to prove that point you and others will insist in bringing in the representatives of the Canadian National and the C.P.R. who spent some weeks in conference in London, Ontario, so that we may find out what prevented the pooling of the service between Woodstock and Chicago. Put them under oath.

Right Hon. Mr. MEIGHEN: I have not heard a word about it, but I guarantee that there will be a strong case on both sides, and that diversity of interests will be the thing that stopped it.

Hon. Mr. MURDOCK: The C.P.R. and the C.N.R. were quite willing to pool between Woodstock and Windsor, except that the C.P.R. wanted four miles east of Windsor, to divert their trains over the Essex terminal; but they ignored the fact that Canadians are heir to a railroad from Detroit to Chicago and from Port Huron to Chicago.

Right Hon. Mr. MEIGHEN: I think you are proving my case.

Hon. Mr. CALDER: Was there not something in connection with a contract the C.P.R. had with other lines?

Hon. Mr. MURDOCK: Yes, a real friendly arrangement, so far as I know; maybe a contract.

Hon. Mr. McRAE: The contract would be with some of the American lines that dealt with the C.P.R.; and if they broke that they would lose other business.

Hon. Mr. MURDOCK: But there is the scrapping of 330 miles of road between Detroit and Chicago.

Hon. Mr. CALDER: Under co-operation is not the situation something like this: the two railways are to maintain their identities. That is essential under co-operation.

Hon. Mr. DANDURAND: Under unification also.

Hon. Mr. CALDER: They are to maintain their identity for the reason that this method of dealing will cease at some time in the future, and they will want their properties back.

Now, under the other plan, in so far as savings are concerned, both railway companies would lose their identity—and we are losing sight of that all the time in our discussion—they would lose their identity completely. The two railways are thrown together and operated to the advantage of another system.

Hon. Mr. DANDURAND: That is amalgamation.

Hon. Mr. CALDER: That is amalgamation. I agree with Senator Robinson that the possibility of unscrambling these railways will be very remote.

Now, in my judgment co-operation will never succeed to the extent that amalgamation would, for the reason that the executives and officers of both systems will fight as hard and as long as they can for the advantage of their property.

Hon. Mr. MURDOCK: Naturally.

Hon. Mr. CALDER: It is only human.

The WITNESS: I take the same view as Jefferson did when he helped construct the Constitution of the United States. He and his Federalists never dreamed there would be an opposition in Washington in the House of Representatives and the Senate. He thought there would be division in the country, but that in Washington everybody would work like beavers for the interests of the United States. It is just the same here. Democracy has developed opposition and there cannot be co-operation. Democracy rests on opposition. It is only under amalgamation you can have everybody pulling for the one purpose, not under any system of co-operation, in my judgment, and Senator Murdock's statement, I think, proves the case. It is impossible.

By Hon. Mr. Dandurand:

Q. There is one other thing also that I think is impossible, and that is to have people accept an agreement under private management?—A. That may be, although I doubt it. I do not think there would be any objection from anybody if Parliament came and said, "Here it is." That is what the ordinary man expects Parliament to do.

The Committee adjourned until tomorrow at 11 a.m.

Mr. Dowd
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THE SENATE OF CANADA

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PROCEEDINGS

OF THE

SPECIAL COMMITTEE

Appointed to

ENQUIRE INTO AND REPORT UPON THE BEST MEANS OF RELIEVING THE
COUNTRY FROM ITS EXTREMELY SERIOUS RAILWAY CONDITION
AND FINANCIAL BURDEN CONSEQUENT THERETO

No. 4



The Right Honourable George P. Graham, P.C., and
the Honourable C. P. Beaubien, K.C.,
Joint Chairmen

WITNESSES:

Mr. N. S. Dowd, Secy.-Treas., All Canadian Congress of Labour.
Mr. W. T. Burford, Secy.-Treas., Canadian Federation of Labour.
Professor John L. McDougall, Queen's University, Kingston, Ontario.

OTTAWA
J. O. PATENAUDE, I.S.O.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1939

ORDER OF APPOINTMENT

(Extracts from the Minutes of Proceedings of the Senate for March 7, 1939)

Resolved,—That, with a view of completing the inquiry pursued during last session by the Special Railway Committee of this House, and preparing and submitting an adequate report on such inquiry, this Special Committee be re-appointed with a view to inquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, with power to send for persons, papers and records and that the said Committee be re-appointed with the same personnel and, therefore, that it consist of the Honourable Senators Beaubien, Black, Buchanan, Calder, Cantley, Côté, Dandurand, Graham, Haig, Hugessen, Horsey, Jones, Hardy, McRae, Meighen, Murdock, Parent, Robinson, Sharpe and Sinclair.

MINUTES OF EVIDENCE

THE SENATE

THURSDAY, March 30, 1939.

The Special Committee reappointed to inquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, met this day at 11 a.m.

Right Hon. George P. Graham and Hon. C. P. Beaubien, Joint Chairmen.
Col. O. M. Biggar, K.C., Counsel to the Committee.

The CHAIRMAN (Right Hon. Mr. Graham): Order, gentlemen.

Mr. BIGGAR: The Committee was going to hear a representative of the All-Canadian Congress of Labour this morning. Mr. Dowd is present on behalf of that organization.

Mr. NORMAN S. DOWD, Secretary-Treasurer of the All-Canadian Congress of Labour, was called as a witness.

By Mr. Biggar:

Q. Mr. Dowd, you are the Secretary-Treasurer of the All-Canadian Congress of Labour, are you not?—A. That is right, sir.

Q. The office of that organization is in Ottawa, at 230 Laurier Avenue West?—A. Right.

Q. You desire to address the Committee on the subject raised by Professor McDougall concerning the wages paid by the railways, and also to deal with certain subjects raised by Mr. Meikle in his evidence before the Committee the other day?—A. I have prepared a memorandum that I would be very glad to read before the Committee, and then to answer any questions that may arise with regard to the memorandum, or the subject in general, as far as I have a mandate to speak on it.

Q. And your memorandum is directed to those two points, is it?—A. Yes.

Right Hon. Mr. MEIGHEN: I am afraid it is not. I have only been able to read a few pages, and they do not touch it at all.

By Hon. Mr. Dandurand:

Q. Are you going to deal with subjects that you brought before this Committee last year?—A. No, sir. My organization did not appear before the Committee last year. This is the first appearance that the All-Canadian Congress of Labour has made before the Committee. I might say that I propose to explain to the Committee the structure and function of the All-Canadian Congress of Labour, and to place before you a list of the organizations it represents, to show that we represent both railway and general workers, to show something with regard to our figures and our bona fides, and then to deal with Professor McDougall's representations in a very general way—because that is all that needs to be done—and to deal particularly with the character of the so-called Canadian Federation of Labour, on whose behalf representations were made at this Committee last week. Those representations have been spread from coast to coast. This Committee has been used as a sounding board for ideas which are not supported by any substantial body of workers in Canada—no railway workers whatever beyond a score, and so far as general workers are concerned, I am prepared to establish there are not three hundred in that organization.

By Mr. Biggar:

Q. The committee has heard witnesses who speak only for themselves.—
A. I am speaking for 30,000 workers, Colonel.

Q. So it is not of importance whom any individual witness represents?
—A. Except, Colonel, his representations are made in the name of labour, and are not supported by labour to any extent. When those representations are sedulously fostered in certain newspapers, over the radio and in editorial columns as showing there is a substantial body of workers supporting railway unification, those workers whom I represent must protest most emphatically that that body does not represent labour at all. It represents no railway workers and no general workers so far as that is concerned. Naturally if a man comes to speak on his own behalf, that is a different matter. For instance, Professor McDougall spoke for himself, not for Queen's university.

Q. Can we not take it for present purposes that you regard Mr. Meikle as not representative of any considerable body of labour?—A. I should like to establish that fact very briefly. This is my brief. I can read it in half an hour.

Hon. Mr. COTÉ: I do not think we are here for that purpose. This committee was instituted for the purpose of trying to find ways and means of dealing with the railway situation. We have investigated along certain channels. The C.P.R. came along with a plan for unified management, and officers of the Canadian National Railways rebutted that evidence and said, "No, that is no good." That was relevant evidence. We are not here to find out who or what Mr. Meikle represents. We have already asked him that.

Hon. Mr. DANDURAND: But why did we hear Mr. Meikle?

Hon. Mr. COTÉ: We asked him certain questions and formed our own opinion on his answers. Candidly, I must say that my conclusion is Mr. Meikle is not representing a very large body of labour. But surely we are not going to spend half the morning listening to another labour organization urging something against Mr. Meikle.

The WITNESS: I am not interested in Mr. Meikle at all, Senator Coté. May I say also—

Hon. Mr. COTÉ: This is not to be a trial of Mr. Meikle. We are not going to listen to a labour organization squabble.

Hon. Mr. DANDURAND: Why did we hear Mr. Meikle anyway?

Hon. Mr. CALDER: He asked to be heard.

Hon. Mr. COTÉ: But Mr. Meikle was not here to make a trial of labour organizations.

Hon. Mr. DANDURAND: But he was here saying that he represented a large body of labour.

Hon. Mr. COTÉ: Mr. Meikle was not here making a trial of the All-Canadian Congress of Labour.

Hon. Mr. DANDURAND: But he was here claiming that he represented a certain body of men.

Hon. Mr. HAIG: Mr. Chairman, I was one of the members of this committee who asked that Mr. Meikle be heard. I think we ought to hear these people also. If they state a lot of silliness it will not affect my judgment. I advocated that Mr. Meikle be heard. I advocate the same for these people.

The WITNESS: Thank you, Senator.

Right Hon. Mr. MEIGHEN: Would you give Mr. Meikle an opportunity to reply?

Hon. Mr. HAIG: I do not think so. I know he is a man who works in the C.P.R. shops at Winnipeg. I have known him for years. He represented certain views. These other men represent some other views. If we are to get any

[Mr. N. S. Dowd.]

place with this inquiry, I think if there is any body of opinion, such as the All-Canadian Congress of Labour, that has views to present—and I know they represent a considerable body of men, what we call the aristocrats of the railroad—I think we should hear them.

Hon. Mr. COTÉ: I do not want Senator Haig or any other member of the committee to misunderstand my attitude. I am quite willing to listen to Mr.—

The WITNESS: Dowd.

Hon. Mr. COTÉ: —to Mr. Dowd, provided—

Hon. Mr. HAIG: Senator Coté, I think these men will hurt the cause they are advocating if they go into a tirade against Meikle; but if they want to show they represent the real great body of—I do not know what word to use—

The WITNESS: Clerical and other classes.

Hon. Mr. HAIG: Yes. I know this organization. We have heard quite a bit from them, for the president of the organization made a long speech to us last year.

The WITNESS: He did on behalf of the Railway Brotherhood Employees, an affiliate of the All-Canadian Congress of Labour.

By Right Hon. Mr. Meighen:

Q. Why could he not have spoken on your behalf at the same time?—A. He was speaking on behalf of railway labour. I am speaking on behalf of the general labour belonging to unions affiliated with this congress.

Hon. Mr. COTÉ: I was interrupted. I said I was quite willing to listen to Mr. Dowd providing—this is the point I was trying to make a moment ago—providing he limits himself to the evidence of Mr. McDougall.

Hon. Mr. ROBINSON: Why?

Hon. Mr. COTÉ: If he has anything new to present, all right. I have just glanced at this brief, and it seems to me it becomes a quarrel between Mr. Meikle and Mr. Dowd's organization. Surely we do not want to go into a matter of that kind. If Mr. Dowd would limit himself to what is relevant—and I think I have mentioned what is relevant—and forget this antagonism to Mr. Meikle, then I think we should hear him.

Hon. Mr. MURDOCK: Were you here at the first meeting we had?

Hon. Mr. COTÉ: I think we all realize that Mr. Meikle does not represent as important a body as Mr. Dowd says he does.

Hon. Mr. DANDURAND: You ought not to say that. He said he represented the musicians.

Hon. Mr. MURDOCK: I proposed that we should not hear Mr. Meikle, for certain reasons—I do not think Senator Coté was present at the first meeting—but I was out-voted, and it was decided to hear Mr. Meikle. Mr. Meikle made certain concrete claims, for example, that he was speaking for 52,000 employees.

Hon. Mr. PARENT: Yes.

Hon. Mr. MURDOCK: I know that would be quite acceptable to certain gentlemen—possibly my friend Senator Coté. As a matter of fact, with some experience I have in the labour game, I knew he was on a shoe-string, that he represented nobody in the views he was expressing. Now then, surely if there is anything to that we have a right to hear the other side of the story.

Hon. Mr. McRAE: Mr. Chairman, this memorandum is not very long. We should have been half-way through it by this time if we had allowed Mr. Dowd to proceed. I support Senator Haig's proposal that we hear the memorandum.

The WITNESS: May I proceed?

The CHAIRMAN (Hon. Mr. Beaubien): Go ahead.

The WITNESS: Honourable Chairman and members of the committee:

1. The All-Canadian Congress of Labour is a central Canadian Labour body similar in structure and function to the British Trades Union Congress. It was formed in March, 1927, by representatives of eight National unions, absorbing The Canadian Federation of Labour, which had been in existence since 1902. Its affiliated National unions and chartered Local unions are wholly National in character, and, excluding the Trades and Labour Congress of Canada, which represents in legislative matters the International unions, it has the largest membership of any National Labour organization operating in Canada.

2. The statement of membership which we recently filed with the Dominion Department of Labour for its report, "Labour Organization in Canada" for 1938, shows a membership of 31,459 at December 31, 1938, contained in 288 local branches or unions. A list of these unions is appended for the information of the Committee. Reference to page 8 of Labour Organization in Canada will show that our Congress agreed to the request of the Department to have our membership figures and records for 1937 audited by an accountant from the Finance Department, and that this audit was made. We have consented to a similar audit of our membership figures and records for the year 1938. I might add that the membership of the Congress is expanding, 8 new or reinstated unions having come into the Congress since the first of this year, and at the present time the figures I have given as at December 31, 1938, would have to be increased by approximately 1,000 members. The figure of unions and members added this year does not include the several thousand steel workers in Nova Scotia who are now organizing in a National union, to be chartered by the Congress.

3. The classifications of Canadian workers represented by the Congress are shown in the appendix to this statement, and it will be observed that they include one National organization of railway workers and several branches of another National railway labour organization, which are directly affiliated. The railway workers represented by these two organizations include members of every group and class in that industry, except the shop crafts.

4. The question of railway unification or amalgamation has been before every Annual Convention of the Congress since 1935. At its Convention in that year, the Executive Board of the Congress recorded its view of the proposals that had been made to amalgamate the railways of Canada in the following terms:

The proposal to amalgamate the railways of Canada having again been brought prominently before the public by the privately-owned railway, the Board re-asserts its conviction that no amalgamation, either of the railways proper or of the railway-owned telegraph and express services, is in the public interest unless it provides for the retention in the service of all the present employees, and for the re-absorption of those who have been laid off during the slump. The elimination of competition by the railway services should be considered only in connection with the institution of a planned National economy. So long as other public services (in which should be included the provision of the essential commodities and housing) are operated as private enterprises, duplication of plant will be the rule rather than the exception, and the piece-meal attempt to effect economies on the railways is in such contrast with the insistence of the same interests on the continuance of competition elsewhere, that we cannot resist the conviction that they are inspired by selfish or partisan motives, rather than by a desire to further the general advantage of Canada.

[Mr. N. S. Dowd.]

5. This section of the Board's report was adopted almost unanimously by the Convention, and the declaration of policy therein set forth has been reaffirmed at each succeeding Convention. At the last Convention of the Congress, which was held in London, Ontario, in April, 1938, a large number of resolutions on the question were received, of which the following may be quoted:

Whereas the All-Canadian Congress of Labour notes the increased intensity of the campaign to bring about the unification and amalgamation of Canada's two great railway systems under private ownership and control; and, further accompanying this campaign, is a malicious, distorted and unfair attack upon the Canadian National Railways as a great publicly-owned enterprise; and

Whereas this Congress has repeatedly gone on record as being opposed to any form of amalgamation under private ownership:

Therefore be it resolved that the incoming Executive of the Congress be instructed to continue its efforts to the very limit of its ability to oppose any unification or amalgamation schemes, and, in so doing, to use every avenue of publicity possible to present to the public a fair and true statement of the Canadian National Railways, and at the same time express the views of the Congress on this question.

This resolution was passed unanimously by the Convention.

6. May I also quote from the Report of the Executive Board of the Congress at the Convention of last year, as follows:—

"The campaign for amalgamation, unification or joint management of the Canadian Pacific and the Canadian National Railways has recently been revived and intensified . . . The position of the Congress in this matter has been expressed at former Conventions, and the Executive Board believes that this policy of opposition to all railway amalgamation and allied schemes should be confirmed at this time. The solution of the railway problem will be reached only when the general problem of industry is solved, through the economic planning of all industrial activities, and their operation for service rather than profit. The Board is of the opinion that no worth-while advantage will be gained by a defeatist policy of abandoning railway lines, curtailing the service given to the public and putting thousands of workers on the relief rolls, when there is such an enormous amount of territory in Canada which needs development, and there are so many ways in which the present railway lines might be used effectively for colonization purposes and for the exploitation of our natural resources."

7. The Executive Board also urged "the Dominion Government to take whatever action is necessary to defend the publicly-owned system against unfair criticism, and to expose the sources of the propaganda which is now being spread among the public."

The report of the Board in this connection was concurred in unanimously.

8. Reference may also be made to the opinion of the Congress as expressed in Memoranda submitted to the Dominion Government. In January, 1938, the Congress stated that it had observed

"a resumption of the propaganda by paid publicists and other interested persons in favour of the amalgamation or unification of the Canadian National and the Canadian Pacific Railways. The policy of the Government to maintain the integrity of the Canadian National Railways as a publicly-owned and publicly-operated service is regarded by the Congress as one of the strongest bulwarks against such propaganda, and

it is noted that attacks upon the National system are being associated with attacks upon the Government as lacking courage to deal with the so-called railway problem in a drastic manner and in utter disregard either of its pledges or of the expressed will of the people.

"To the extent that it is able to do so, the Government is urged to protect the Canadian National Railways against misrepresentation and other unfair criticism, and to oppose to the fullest extent any amalgamation or unification schemes, or any effort to restrict, in the interest of the privately-owned system, the service which is now being rendered to the people of Canada by the Canadian National Railways."

9. Again, in January last, when a large delegation from the Congress met the Cabinet, the matter was referred to in the following terms:—

"The Congress wishes to give its whole-hearted support to the attitude adopted by the Government, and especially by the Minister of Transport, in opposition to the various schemes of railway amalgamation, unification, joint management, etc., which are persistently advocated by propagandists for private interests. Associated with these schemes are attacks upon the Canadian National Railways, and emphasis upon the 'railway problem' in such a manner as to imply that the maintenance of the C.N.R. as a publicly-owned enterprise is responsible for the existence of this 'problem.' The Government is urged to do everything in its power to protect the Canadian National Railways against misrepresentation, and against any interference with its integrity as a publicly-owned and operated railway system.

"In the event, however, that co-ordination of transport may ultimately be considered advisable in the public interest, the Congress believes that this should be effected on a comprehensive basis, and only as a part of a national system of public ownership of the means of production and distribution of the nation as a whole. Any proposals which would involve a lessening of the opportunities for employment, which have already diminished to a dangerous extent, must be unalterably opposed by the Congress, and in this respect the Congress desires to emphasize the fact that every responsible Labour organization in Canada is in complete concurrence with its attitude of opposition to amalgamation or other schemes of this nature, which apply solely to the railway industry."

10. It is felt that special stress should be laid upon the closing statement in this paragraph. Every Railway Labour organization in Canada, including what are known as the "International" Railway Labour unions, as well as the Trades and Labour Congress of Canada, and the All-Canadian Congress of Labour, which include a number of Railway Labour unions among their affiliates, have expressed strong opposition to unification and similar schemes. These bodies represent practically all the railway workers of Canada, and an overwhelming majority of organized workers in general, and they are unanimous in their attitude in this respect.

11. With regard to the opinions and evidence heard by your Committee on Tuesday last, from Professor McDougall and Mr. Allan Meikle, any comment on behalf of the Congress must be made in more or less general terms, and along lines which have been endorsed by affiliates of the Congress. The Canadian Brotherhood of Railway Employees and the Congress have pointed out that duplication and overlapping of services are not confined to the railway industry, and that they are, in fact, general throughout the whole economic system. On this ground, they have maintained that it is unreasonable to single out the railways for special consideration, since they are no more than instances of a common condition.

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12. For example, an enquiry might be made into the obvious overlapping and duplication of universities in Canada. They might very well be co-ordinated, or put under joint management, thus effecting a saving of millions of dollars a year. They are in most instances supported directly by taxation; their revenues from endowments have been greatly decreased as a result of reduced bond interest, and they are undoubtedly forced to demand high fees and lay a heavy burden on those citizens who desire a college education for their children. That burden might be alleviated in several ways—by the strict elimination of all duplication, by retiring all professors at the age of fifty, and thus giving the junior men a chance, or by a twenty per cent cut in the salaries of all professors.

13. At the least, the small universities, which exist only with a severe struggle, might be eliminated; and if there is any hesitation to put salary cuts into effect, the Governors are well aware that the professors are unorganized and are therefore quite helpless. They get a disproportionate amount of leisure, many of them working five or six hours a week, and getting four or five months' holidays every year, with a year off on full salary every seven years. On the face of it, there is probably no argument advanced with respect to the railway problem by Professor McDougall which would not apply equally well, if not better, to the university problem.

Hon. Mr. PARENT: Comparisons are odious.

The WITNESS: Argument by analogy is often effective.

Hon. Mr. HAIG: If you are sure your facts are correct.

The WITNESS: I am quite sure, because I have a boy at Queen's University, and am a little ashamed of the fact; but the Professor did not speak on behalf of Queen's University.

14. So far as the professor's method of argument is concerned, it is a logical fallacy to argue that because a few railway enginemen or conductors in special circumstances receive fairly high wages, this is a sound reason for cutting the wages of all running trades employees twenty per cent, or at least of those employed on light traffic lines, as the professor seems to think that the rates are not too high on the more profitable lines. At one point, however, he implied that a twenty per cent decrease in wage-rates throughout the industry would be desirable. As a general proposition, any economist will tell Professor McDougall that no solution of the economic problem in Canada is to be found by decreasing purchasing power; the experience of the past ten years shows that clearly enough; in fact, the whole task of the United States Government, for example, has been to increase purchasing power by every possible means.

15. So far as the seniority question goes, the professor ought to know that industry generally gives preference of employment to the senior employees, even in cases where there are no agreements to this effect. It is difficult, in any case, to know what bearing this has on the problem involved; his remarks in this respect were purely gratuitous.

16. The professor says that "under the best of circumstances, the continued existence of 42 per cent of all mileage which lacks tonnage is open to question." He would thus support the C.P.R. proposal to scrap 5,000 miles of railway, utterly neglecting the fact that these lines were built partly for colonization purposes. The Congress would prefer to take the view of President Hungerford, who stated to the Committee last year that "we may have built our railways somewhat in advance of our material requirements, but, generally speaking, they are well located and admirably adapted to the requirements of the country." Furthermore, he said, "the C.N.R. has far greater potentialities than its principal rival in Canada, or for that matter any other railway on the continent, because no other railway is so well located in relation to the natural resources of the Northern half of this continent."

17. In many respects, Professor McDougall showed that his approach to the whole question was an academic one. He says, for example, that railway managements, in the earlier years, were willing to share part of their "generous" returns with the employees. This is wholly erroneous, as the railway unions had to make strenuous efforts to obtain recognition in the first place and then to negotiate agreements covering wages and working conditions. The professor says that "they consider they have a perpetual right to the wages and conditions given them during the railways' hey-day." As I have stated, nothing was "given" to them, and if the unions are to be blamed for endeavouring to maintain wage-rates, and the standard of living the workers have reached, it need only be said that that is their primary purpose. But it may also be pointed out that the average of railway wages in Canada for 1937 was \$1,448 per year—

And may I say parenthetically that that includes wages of all officials—
—which is below the standard of any health and decency budget; and although some groups are fairly well paid, the vast majority of the railway workers are on a much lower income-level; furthermore, nearly 70,000 railway workers have been thrown out of employment or retired from the service since 1928, in spite of the alleged "unique bargaining power" of the railway Labour unions.

18. On the whole, the Congress considers that the reading of a few cases from Board of Adjustment No. 1 in *The Labour Gazette*, and the study of some railway schedules and statistics scarcely entitle the professor to claim special knowledge of the railway situation, and his volunteer efforts in this field might perhaps have been better devoted to other subjects.

19. However, it is noted that the professor did not presume to speak on behalf of Queen's University. The other witness on Tuesday last, Mr. Allan Meikle, claimed that he represented both railway and general workers, and this claim is of far greater concern to the Congress than his reiteration of the views of Sir Edward Beatty, to which Senator Dandurand aptly called attention. In the circumstances, the Congress desires to place on record the facts with regard to the Canadian Federation of Labour, because the impression has been given to the people of Canada—I may say by using this Committee as a sounding board.

The impression has been given to the people of Canada on numerous occasions that this Federation represented a large body of Canadian workers, including railwaymen, and that they were so enlightened that they alone saw the advantages of railway unification or other schemes, while the vast majority of the organized workers in the railway services and in industry generally were so blind to their own interests that they unanimously and consistently opposed such schemes.

20. This Committee has invited many witnesses to give evidence, and others, like Professor McDougall, volunteered to do so. The Canadian Federation of Labour requested that its President, Mr. Allan Meikle, be heard, and he not only submitted a Memorandum to the Committee, but answered a number of questions. It is believed that the Committee ought to know the nature of this Federation, and be in a position to judge as to its *bona fides*, since it is obvious that the material presented in the name of the Federation would not otherwise be judged solely on its merits, if any, but as representing the views of a "substantial" body of workers.

21. In order to make the situation clear, it is necessary to point out to the Committee and the public that there was a National Labour body in existence from 1902 to 1927, which from the year 1908 until it ceased to exist was known as The Canadian Federation of Labour. It was absorbed by the All-Canadian Congress of Labour in 1927, when that body was established. The Secretary-Treasurer of the Congress from March, 1927, to September, 1936,

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was Mr. W. T. Burford, a radio telegrapher with considerable literary ability. He was also Editor and Manager of *The Canadian Unionist*, the official organ of the Congress. In the August, 1936, issue of *The Canadian Unionist*, Mr. Burford—

In spite of the decision of a convention held in the Spring of that year—published an article under the name of Allan Meikle, entitled "The Railway Problem and the Workers," which was intended as the first of a series of articles on the subject. It contains the familiar *clichés* with regard to railway "rationalization" being "inevitable and necessary" and advising the railway workers to find some basis of agreement with the advocates of this scheme. It is interesting to note, in passing, that "rationalization" was the first proposal; then in succession, the public have been asked to take the pill under the name of "amalgamation"; when they gagged at that, it became "unification" and now it is "joint management", but it is still the same scheme.

22. However, the railway workers in the Canadian Brotherhood of Railway Employees and the Canadian Association of Railwaymen, both affiliates of the Congress at the time, made their disapproval of this article so manifest that Mr. Burford, Mr. Meikle and some associates refused to attend a Convention of the Congress in September, 1936, and they subsequently decided to reach into the dead past and resurrect the name, "The Canadian Federation of Labour" in October, 1936, and Mr. Burford has since operated under that name, being "constitutionally" its perpetual Secretary-Treasurer. As he had Mr. Meikle read to you in his memorandum last week, he claims that, in 1927, the Canadian Federation of Labour adopted a new constitution and a new title (The All-Canadian Congress of Labour), but "it became necessary in 1936 to revert to the original name of the Federation." This is a harmless delusion on Mr. Burford's part; he has said it so often that he believes it, but there is not a scintilla of truth in it. Not one of the original affiliates or officers of the old Canadian Federation of Labour had anything to do with its resurrection; the former body went completely out of existence, and the implication that there was any continuity of existence or that the Federation remained in a state of suspended animation for nine years, is utterly silly; it is made simply to lead the public to believe that his "Federation" is an old-established body, when in reality it was brought into being just over two and a half years ago, and has been used as a medium for railway unification propaganda, as Senator Murdock has stated to the Committee.

23. The "Federation" began in October, 1936, with the One Big Union, of Winnipeg, as its sole unit; some months later the Amalgamated Building Workers of Canada became an affiliate, and later still a man named McMaster who it is understood runs a soup kitchen for seamen in Montreal, maintained by public donations, went in with a little group of his own. Of the 8,704 members of local unions of the Federation, which were reported to the Labour Department for its report on "Labour Organization in Canada" for the year 1937, the One Big Union would account for about 2,000; the Amalgamated Building Workers of Canada for another 2,000, and the Canadian Brotherhood of Ships' Employees, 4,000. The One Big Union withdrew from the Federation two weeks ago, because Mr. Burford was advocating railway unification in spite of the attitude taken at the "Convention" of the Federation last December; practically all the former members of the Amalgamated Building Workers of Canada have now left that body and are members of local unions chartered by the All-Canadian Congress of Labour. So far as the "membership" of the Ships' Employees union is concerned, the Canadian Seamen's Union, which holds working agreements with all shipping firms on the Great Lakes, reported at its last Convention a membership of 5,000, which is actually all the seamen employed in this service, and leaves Mr. McMaster's outfit with nothing.

24. Senator Meighen asked Mr. Meikle: "Who are the Federation?" "What constitutes the Federation?" and the fumbling reply was "The Building Trades Workers of Canada; the Transport and General Workers' Union of Canada, the Electrical Communication Workers of Canada. And the One Big Union is a component part of the organization. There is the Saskatchewan Coal Miners' Union, and a dozen or two locals in general unions all over the country. There are general workers, sugar workers, labourers and different classes of men all over the Dominion." Apart from the One Big Union, with which I shall deal separately, these unions are simply dummy creations, with a handful of members. Mrs. I. Paton, of Toronto, was the only member of the Transport and General Workers' Union, until a fortnight ago, when Mr. Meikle joined it, after the One Big Union withdrew from the Federation. Mrs. Paton was mixed up with the unfortunate invasion of the Saskatchewan coal mining area last September, at the instigation of the employers, who contributed a four-figure cheque to the Federation to meet organizing expenses, according to an organizer who was brought in from Vancouver, and who was so disgusted that he left the Federation. It was found after a vote had been taken by the Labour Department that the Federation had only a few members among the Saskatchewan miners. Mr. Burford is believed to be the sole member of the Electrical Communication Workers of Canada. The reference to "sugar workers" is amusing. The Federation organized a group of sugar workers in 1937, but after a short time they withdrew from the Federation and are now chartered by the Congress.

Hon. Mr. PARENT: Are they maple sugar workers?

The WITNESS: No, sir. That is the Atlantic Sugar Workers' Union of Saint John.

25. With respect to membership, Mr. Meikle claimed that the Federation had a membership of 52,000. This was on March 21. Unfortunately, Mr. Burford, in a statement issued to the Canadian Press on March 17, and put into the record by Senator Murdock, claimed only 40,000. These two officers ought to get together. At the same time, he gave the membership of the One Big Union as 3,000, although, for the year 1937, the General Secretary, Mr. R. B. Russell, reported that it had a membership of 23,509. Unquestionably, this figure was included in the alleged membership of 52,622 reported by Mr. Burford for 1937, and the loss should have reduced his membership to 29,000 odd, instead of the 40,000 he now claims. It is a little difficult to follow the calculations involved, but it is significant that, when the One Big Union is a member of the Federation it has over 23,000, but when it withdraws, or, as Mr. Burford says, is suspended, 20,000 members disappear—gone with the wind. Forty whole battalions! But Mr. Russell says they still have the 23,000, so whom are we to believe? Actually, so far as the Congress can ascertain by extensive investigation, the One Big Union has about 1,800 members, of whom probably a dozen or so, including Allan Meikle, are railwaymen, and all except himself have now repudiated the Federation and its views on railway unification.

26. Mr. Meikle stated (page 52 of Proceedings, No. 2) that—I am quoting Mr. Meikle. It is typical of his style—"that section in Winnipeg that was responsible for that statement (that it had withdrawn from the Federation) has been suspended temporarily, for the lack of paying their per capita tax. That has never been discussed in the O.B.U. at any general meeting." He is given the lie direct by one of the O.B.U. members, in an item which appeared in the *Winnipeg Free Press* on Saturday last, March 25, as follows:

[Mr. N. S. Dowd.]

ONE BIG UNION VOICES OPPOSITION TO AMALGAMATION

The One Big Union is opposed to amalgamation and stands behind the railroad workers in their opposition to it, Ed. Armstrong, Secretary of the Street Railwaymen's unit of the O.B.U., stated Thursday, in a telegram to Senator Beaubien, Chairman of the Senate Railway Committee.

He also charged that statements made by Allan Meikle, president of the Canadian Federation of Labour, before the Committee, Tuesday, claiming the One Big Union had only been temporarily suspended, were false.

Mr. Armstrong declared that in point of fact that One Big Union had withdrawn from the Federation because the decision of the Montreal Convention against amalgamation had not been carried out by the Executive Board.

"The One Big Union is opposed to amalgamation or unification of the railways," he stated, "and stands behind the railroad workers in their opposition to it."

27. Mr. Armstrong is referring to the decision reached by the Federation at a Convention in December last, when the delegates refused to concur in a recommendation of the Executive Board in favour of unification. In a Canadian Press despatch from Montreal, under date of December 8, the following paragraph appeared:

The Canadian Federation of Labour unanimously reaffirmed that it was taking no stand regarding co-ordination of Canada's railways. The Federation on Tuesday (December 6) shelved the recommendation of its Executive Board that Canada's railways be co-ordinated.

28. The fact is, gentlemen, that not only does the Canadian Federation of Labour represent no more than a few hundred workers at the most, but its "President" submitted in the name of the Federation, and allegedly on behalf of a group of 52,000 workers, proposals which had been definitely and decisively, nay, according to the press report, unanimously shelved no later than December last. There can be no objection to the airing of Mr. Burford's private opinions by Mr. Meikle, but when the latter dares to come before this Committee and claim to speak in the name of Labour, the Congress must protest most emphatically against his views being given any consideration except as the views of one or two private individuals. The claim to represent Labour is utterly unwarranted, and this is common knowledge among the workers. The All-Canadian Congress of Labour has unions in almost every city and town in Canada, as the list appended indicates, and the members of those unions know nothing about any Federation unions. We did know something about the One Big Union, which withdrew or was suspended two weeks ago, before Mr. Meikle appeared here. One cannot hide 52,000 members; if they existed, they would be known; they simply do not exist. It has already been placed on record that Mr. Burford refused to permit accountants from the Department of Finance to audit his membership records for 1937; the explanation is obvious; he dare not let it be known that his whole structure is a house of card-records.

29. The question of the authorship of the Memorandum was brought up last week by Senator Murdock when Senator Meighen asked whether it would have value if it came from an association of penitentiary convicts. It must have been obvious to the members of the Committee, as it is to everyone who reads the evidence, that there is a vast discrepancy between the presentation and the answers given by Mr. Meikle to *extempore* questions. The mellifluous and grandiloquent style of the brief, with its bombast and fustian, especially in its earlier paragraphs, betray the author, and he is not a railwayman; he does not wear overalls, nor live in Winnipeg.

30. It may be of interest to note that Mr. Meikle stated to the Committee that he had "learned about the railway situation more in 1930, when he represented Canada at the Imperial Conference in London, from the railwayman, which gave me a cue to write in 1935 on that subject." It is rather remarkable that he took so long to pick up his cue, his first writings appearing, so far as I am aware, in 1936, not in 1935. Some minds take longer to work than others, but most men, when they are impelled by a vitally-important revelation, obey the impulse in less than five or six years. However, the reference to "representing Canada at the Imperial Conference in London" surely indicates that we have here somebody in particular. Oddly enough, the "Summary of the Proceedings" of the Imperial Conference, 1930, omits Mr. Meikle's name from the list of advisers to the Canadian delegation, although the names of fourteen other Canadians are shown in the list. Perhaps Mr. Meikle was present in spirit, and has since convinced himself that he was there, but the records give no support to the idea. This is known as dealing with the credibility of the witness.

31. The Congress would not bother with this rather sorry history, if the attempt had not been made deliberately to mislead the Committee and the public with regard to the character of this "Federation" and if there were not several newspapers in Canada which have eagerly played up the views of the "Federation" with a view to making the public believe that there was some support among the workers for railway unification. The *Montreal Gazette* and the *Toronto Globe and Mail* last week had Mr. Meikle up on the front pages with Hitler, blazoning an utterly false and misleading impression to their readers.

32. On previous occasions, the *Montreal Gazette* and the *Montreal Star* have come out with blatant editorials, praising the "sensible" views of the Federation, and violently attacking the politicians for their pusillanimity in refusing to grasp the thorny railway problem and solve it whether the public liked the way they did it or not. Even last week, the *Globe and Mail* headed its article on Mr. Meikle's evidence: "Crisis Seen Unless Rails Are Joined" "Labour Federation Holds Unification Would Be In The Workers' Interests As Well As Taxpayers'," and gave it nearly three columns! That has been spread from coast to coast.

33. So far as the arguments presented in the Memorandum read by Mr. Meikle are concerned, they are nothing more than a rehash of those long familiar in the speeches of Sir Edward Beatty; I am under the impression that these arguments were already before the Committee, and they have been fully answered, notably in the Brief submitted to the Committee by the Canadian Brotherhood of Railway Employees on June 21, 1938. The Congress unequivocally endorses the views expressed therein, as being in line with the resolutions of Congress Conventions, and approval otherwise expressed, as indicated previously in this Memorandum.

34. May I make it clear, in conclusion, that throughout this Memorandum it has been my purpose to set out only the attitude of the railway and general workers of Canada who are organized in unions affiliated with or chartered by the All-Canadian Congress of Labour, as this has been made known at Congress Conventions, but I desire to repeat that, at least in the matter of opposition to railway unification or other schemes, this attitude is endorsed by practically all organized workers of Canada.

Respectfully submitted,

NORMAN S. DOWD,

Secretary-Treasurer.

[Mr. N. S. Dowd.]

THE ALL-CANADIAN CONGRESS OF LABOUR

Founded in March, 1927

230 Laurier Avenue West, Ottawa, Canada

A. R. MOSHER, *President*.CHARLES BEATTIE, *Vice-President*.NORMAN S. DOWD, *Secretary-Treasurer*.*Executive Board*

A. R. MOSHER

CHARLES BEATTIE

N. S. DOWD

G. D. TAYLOR

J. LEA

L. GUAY

A. L. HEPWORTH

DIRECTORY

NATIONAL LABOUR COUNCILS

Halifax National Labour Council. Secretary: C. J. Noddin, 57 Gerrish Street, Halifax, N.S.

Moncton National Labour Council. Secretary: George Bailey, Sunny Brae, New Brunswick.

Minto National Labour Council. Secretary: Robert Gee, Newcastle Creek, Queen Co., N.B.

New Brunswick Council of Labour. Secretary: John G. Davis, 185 Waterloo Street, Saint John, New Brunswick.

Saint John National Labour Council. Secretary: John J. Caples, 49 Paddock Street, Saint John, New Brunswick.

Quebec National Labour Council. Secretary: A. Massé, 3 St. Honoré, Lauzon, Lévis, Que.

Montreal National Labour Council. Secretary: Joe Wall, Room 115, 1405 Bishop Street, Montreal, Quebec.

Toronto National Labour Council. Secretary: G. R. Hodgson, 6 Laurier Ave., Toronto, Ont.

London National Labour Council. Secretary: Herman W. Liersch, 59 Charles St., London, Ontario.

Winnipeg National Labour Council. Secretary: J. S. McNabb, Suite 16, Edward Building, Winnipeg, Manitoba.

Regina National Labour Council. Secretary: W. A. Barker, 1321 Cornwall Street, Regina.

Saskatoon National Labour Council. Secretary: H. E. Elliott, 105 London Block, Saskatoon.

Edmonton National Labour Council. Secretary: R. LeMaitre, 11319-87th Street, Edmonton.

Calgary National Labour Council. Secretary: Norman B. Williams, 228 13th Avenue East, Calgary, Alberta.

Vancouver National Labour Council. President: E. R. Morton, 1329 - 15th Avenue East, Vancouver, British Columbia.

Prince Rupert National Labour Council. Secretary: H. Forrest, Box 679, Prince Rupert, British Columbia.

NATIONAL AND LOCAL UNIONS

BUILDING

National Union of Carpenters, Bricklayers, Painters and Allied Trades. Secretary, W. H. Hopkins, 435 Yonge Street, Toronto, Ontario.

National Union of Painters, Decorators and Paperhangers, Halifax Branch. Secretary, Dan. Walker, 17 Dresden Row, Halifax, N.S.

National Union of Painters, Decorators and Paperhangers, London Branch. Secretary, W. C. Sylvester, 21 McNay Street, London, Ontario.

Building Workers of Canada, Montreal District, Local No. 1. Secretary, G. S. McKerrell, 7283 Lasalle Road, Verdun, Quebec.

Building Workers of Canada, Local No. 2. Secretary, Arthur Watts, 320 9th Ave., West, Cornwall, Ontario.

National Union of Building Workers, Local No. 1. Secretary, A. Andrews, 1015 Denman Street, Vancouver, British Columbia.

CLOTHING AND TEXTILE

National Clothing Workers of Canada, Local No. 1. Secretary, E. Leach, 8 Sixth Street, New Toronto, Ontario.

Canadian Full-Fashioned Hosiery Workers' Association. President, Lionel Guay; Vice-President, Wallace Smith; Secretary, *pro tem.*, P. D. McLaughlin, 250 Havelock St., Toronto; Treasurer, *pro tem.*, Thomas Worsley.

Canadian Full-Fashioned Hosiery Workers' Association and Allied Crafts, London Local No. 1. Secretary, S. Benbow, Tambling's Corners, P.O., London, Ontario.

Canadian Full-Fashioned Hosiery Workers' Association and Allied Crafts, Hamilton Local No. 2. Secretary, Ernest Transom, 16 Sherman Avenue South, Hamilton, Ontario.

Canadian Full-Fashioned Hosiery Workers' Association and Allied Crafts, Toronto Local No. 3. Secretary, John Harrison, 72 Gwynne Avenue, Toronto, Ontario.

Canadian Full-Fashioned Hosiery Workers' Association and Allied Crafts, Owen Sound Local No. 4. George Clarridge, 1188 Fourth Avenue East, Owen Sound, Ontario.

Canadian Full-Fashioned Hosiery Workers' Association and Allied Crafts, St. Catharines Local No. 5. Secretary, Cecil Saville, 104 Maple Street, St. Catharines, Ontario.

Canadian Full-Fashioned Hosiery Workers' Association and Allied Crafts, Hanover Local No. 6. Secretary, Wm. H. Hergott, Hanover, Ontario.

Canadian Full-Fashioned Hosiery Workers' Association and Allied Crafts, Mt. Dennis Local No. 7. Secretary, Alfred Busby, 32 Emmett Avenue, Mt. Dennis, Ontario.

Canadian Full-Fashioned Hosiery Workers' Association and Allied Crafts, London Local No. 8. Secretary, D. M. Shepherd, 1285 York Street, London, Ontario.

Canadian Full-Fashioned Hosiery Workers' Association and Allied Crafts, Hamilton Local No. 9. Secretary, James McCallum, 402 Charlton Avenue West, Hamilton, Ontario.

Canadian Full-Fashioned Hosiery Workers' Association and Allied Crafts, London Local No. 10. Secretary, G. W. Wells, 1296 York Street, London, Ontario.

Canadian Full-Fashioned Hosiery Workers' Association and Allied Crafts, London Local No. 11. Secretary, A. Poole, 55 Linwood Street, London, Ontario.

Canadian Full-Fashioned Hosiery Workers' Association and Allied Crafts, Woodstock Local No. 12. Secretary, D. Drake, 663 Henry Street, Woodstock, Ontario.

Canadian Full-Fashioned Hosiery Workers' Association and Allied Crafts, Toronto Local No. 14. Secretary, Ronald Bottrill, 62 Humber Blvd., Toronto, Ontario.

Canadian Full-Fashioned Hosiery Workers' Association and Allied Crafts, Hamilton Local No. 15. Secretary, James K. Davidson, 21½ Albany Avenue, Hamilton, Ontario.

[Mr. N. S. Dowd.]

National Union of Textile Workers, Local No. 1. Secretary, Mrs. Gladys Dunbrack, 180 Mountain Road, Moncton, N.B.

National Union of Textile Workers, Local No. 2. Acting Secretary, R. F. Gould, 311 Archibald Street, Moncton, N.B.

L'Union Canadienne Nationale des Ouvriers du Textile (Canadian National Textile Workers' Union), Montreal Local No. 1. Secretary, Lucien Dubreil, 1555 Cabot Street, Montreal, Quebec.

ELECTRICAL

Canadian Electrical Trades Union. President, A. R. M. Barnetson, 81 Rosethorn Avenue, Toronto, Ont. Branches at Edmonton, Hamilton, Toronto (2).

ENTERTAINMENT

Canadian Federation of Musicians, Local No. 1. Secretary, Cecil A. Reade, 6-2191-W 1st Avenue, Vancouver, British Columbia.

Canadian Federation of Musicians, Local No. 4. (Saskatoon Association of Musicians), Saskatoon, Saskatchewan.

Canadian Federation of Musicians, Local No. 9. Secretary, D. B. Robertson, 615 Tegler Bldg., Edmonton, Alta.

Canadian Federation of Musicians, Local No. 10. (Montreal Association of Musicians). Secretary, Armand Mignolet, 4108 St. Hubert, Montreal, Quebec.

Canadian Federation of Musicians, Local No. 11. (The Canadian Clef Club, Montreal). Secretary, I. Sealey, 1302 St. Antoine Street, Montreal, Quebec.

Canadian Federation of Musicians, Local No. 14, London. Secretary, Herman W. Liersch, 59 Charles Street, London, Ontario.

National Union of Theatrical Employees, Montreal Stagehands' Local No. 1. Secretary, J. A. Pepin, 519 Ontario Street East, Montreal, Quebec.

National Union of Theatrical Employees, Montreal Projectionists Local No. 2. Secretary, A. Lague, 6573 De Lanaudière Street, Montreal, Quebec.

National Union of Theatrical Employees, Calgary Stagehands' Local No. 3. Secretary, W. R. Hicklin, 417 Beveridge Building, Calgary, Alberta.

National Union of Theatrical Employees, Winnipeg Projectionists' Local No. 8. Secretary, Gordon M. Kruger, 18 North Panama Court, Winnipeg, Man.

National Union of Theatrical Employees, Toronto Projectionists' Local No. 10. Secretary, H. M. Hallett, Apt. 46, 414 Jarvis Street, Toronto, Ontario.

National Union of Theatrical Employees, Edmonton Projectionists' Local No. 11. Secretary, A. R. Taylor, No. 407 - 10160 - 101 Street, Edmonton, Alberta.

METAL

Algoma Steel Workers' Union. President, H. P. Waite; Secretary-Treasurer, Merl H. Smith. Head Office: 168 Gore Street, Sault Ste. Marie, Ontario.

Boilermakers' and Iron Shipbuilders' Union of Canada, Local No. 1. Secretary, R. Woodbridge, 2603 Silver Avenue, New Westminster, B.C.

Boilermakers' & Iron Shipbuilders' Union of Canada, Local No. 2. Secretary, A. G. Jacques, 619 Canteen Road, Esquimalt, B.C.

National Union of Enamel and Stove Workers. Secretary, Edward J. Egan, 259 Talbot Street, London, Ont.

National Union of Metal Polishers, Buffers and Platers, Local No. 1. Secretary, J. E. Cartwright, 48 Concord Avenue, Toronto, Ont.

National Union of Metal Polishers, Buffers, Platers and Spring Makers, Local No. 2, Montreal, Quebec.

Canadian Ornamental Iron & Bronze Workers' Union. Secretary, J. Lavallée, 6328 Chambard Street, Montreal, Que.

Owen Sound Metal Workers' Union. Secretary, W. Briggs, 379 Nineteenth Street West, Owen Sound, Ontario.

Saint John Metal Workers' Union. Secretary, Walter E. Scott, 251 King Street East, Saint John, New Brunswick.

St. Thomas Sheet Metal Workers' Union. Secretary, A. Farren, 35 Hiawatha Street, St. Thomas, Ontario.

MUNICIPAL SERVICE

Edmonton Civic Employees' Union, Local No. 30. Secretary, H. J. McCallum, 11823-71st Street, Edmonton, Alta.

Ottawa Civic Employees' Union. Secretary, William C. Wright, 363 Cambridge Street, Ottawa, Ontario.

Oshawa Civic Employees' Union. Secretary, John Callison, 303 Albert Street, Oshawa, Ontario.

PERSONAL SERVICE

National Union of Barbers & Hairdressers of Canada, Local No. 1. Secretary, J. W. Gallaher, 10002-101A Avenue Edmonton, Alta.

National Union of Barbers and Hairdressers of Canada, Local No. 2. Secretary, E. H. McKeever, 113 Highfield Street, Moncton, N.B.

National Union of Barbers and Hairdressers of Canada, Local No. 3. Secretary, Earl Kincade, 42 Germain Street, Saint John, N.B.

National Union of Barbers and Hairdressers of Canada, North Shore Local No. 4. Secretary, A. C. Cormier, Box 25, Bathurst, N.B.

National Union of Barbers and Hairdressers of Canada, Local No. 5. Secretary-Treasurer, Jim Lavoie, Box 351, Edmundston, N.B.

National Union of Barbers and Hairdressers of Canada, Local No. 6. Secretary, Harry Robertson, Newcastle, N.B.

National Union of Barbers and Hairdressers of Canada, Local No. 7. Secretary, Lance Grant, St. Stephen, N.B.

National Cleaners & Dyers' Union, Local No. 2. Secretary, H. A. Rosen, Box 304, Edmonton, Alberta.

POWER ENGINEERING

National Union of Operating Engineers of Canada. President, T. Prézeau; Secretary-Treasurer, H. W. Clarke, 220 North Avenue, Longueuil, Quebec. Head Office: 1182 St. Lawrence Boulevard, Montreal, Quebec. Local No. 3 Granby; Local No. 5, Sherbrooke; Local No. 6, St. Johns.

National Union of Operating Engineers, Local No. 2. Secretary, G. Lamont, 223 Carrall Street, Vancouver, B.C.

National Union of Operating Engineers, Local No. 3. Secretary, J. E. Brown, Room 30, West Hastings Street, Vancouver, B.C.

PRINTING

The Canadian Printers' Union, Local No. 2, Ottawa. Secretary, Lorne Duck, 8 Second Avenue, Eastview, (Ottawa), Ont.

TRANSPORT AND GENERAL

Algoma Truckers' Union. Secretary, G. A. Dodds, 37 Beech St., Sault Ste. Marie, Ont.

Canadian Longshoremen's Association, Local No. 2. Secretary, W. A. Pilfold, Box 531, Prince Rupert, B.C.

Submarine Divers' and Tenders' Union of Canada, Western Division. Secretary, William Zess, 1855 Georgia Street, East, Vancouver, B.C.

Co-operative Labour Protective Association, Westville Branch. Secretary, Moore Thompson, Westville, Nova Scotia.

[Mr. N. S. Dowd.]

Halifax Grain Elevator Operators' Unit. Transport & General Workers of Canada. Secretary, H. F. Orman, 61 Victoria Road, Halifax, N.S.

Edmonton Street Railway Unit, Transport & General Workers of Canada. Secretary, D. Forster, 11441-84th Street, Edmonton, Alta.

Truro Unit, Transport & General Workers of Canada. President, Henry Fraser, 1127 Prince Street, Truro, Nova Scotia.

Montreal Elevator Operators' and Building Maintenance Employees' Unit. Transport & General Workers of Canada. Secretary, Allen Smith, 1176 Bishop Street, Apartment 7B, Montreal, Quebec.

Building Service Workers' Union, Toronto Local No. 1. Secretary, (Mrs.) A. Spencer, 1446 Gerrard Street, Toronto, Ontario.

Edmonton Chauffeurs' and General Transport Workers' Unit, Transport & General Workers of Canada. Secretary, L. McEachern, 12713-110 Avenue, Edmonton, Alberta.

Canadian Garage Workers' Association. Secretary, H. Biddle, 1309 Trafalgar Street, London, Ontario.

National Garage Workers' Union, Ottawa, Local No. 1. Secretary, H. Gamman, 30 Lewis Street, Ottawa, Ontario.

National Garage Workers' Union, Local No. 2. Secretary, J. Scally, 1079-4th Avenue, Verdun, Quebec.

St. Thomas Civic, Transport and General Workers' Unit, Transport and General Workers of Canada. Secretary, George Langley, 2 Hill Street, St. Thomas, Ontario.

Petroleum Workers' Industrial Union of Canada. Secretary, G. C. Cruikshank, 55 Watson Avenue, Toronto, Ontario.

National Union of Industrial Gas Workers. Secretary, Orlando Dean, 301 High Park, Toronto, Ontario.

National Union of Domestic and Industrial Gas Workers. Secretary, G. J. March, 1333 Dundas Street West, Toronto, Ontario.

Avon Mine Workers' Union, Minto, New Brunswick.

Diamond Mine Workers' Union, Minto. Secretary, Harry Branscombe, Newcastle Bridge, New Brunswick.

Miramichi Mine Workers' Union, Local No. 1. Secretary, Fred S. Nightingale, Minto, New Brunswick.

Rothwell Mine Workers' Union, Local No. 2. Secretary, Stanley E. Gee, Newcastle Creek, New Brunswick.

National Union of Gypsum and Lime Workers, Local No. 1. Secretary, David Joseph, Caledonia, Ontario.

Verdun Workers' Union. Secretary, R. G. Walker, 55 Second Avenue, Verdun, Quebec.

Wallpaper Workers' Industrial Union of Canada, Toronto. Secretary, T. Ellis, 85 Robert Street, Mimico, Ontario.

RAILWAY TRANSPORT

Canadian Association of Railwaymen. Lodge 73, Toronto, Ontario, Secretary, L. DuMaresq, 99 Silverthorne Avenue, Toronto, Ontario; Lodge 6K, Toronto, Ontario, Secretary J. A. Kerr, 154 Ellsworth Avenue, Toronto, Ontario; Lodge 17, London, Ontario, Secretary, H. C. Percival, 107½ Florence Street, London, Ontario.

Canadian Brotherhood of Railway Employees. President, A. R. Mosher; Vice-President, J. E. McGuire; General Secretary, M. M. Maclean, Box 395, Ottawa, Ont.; Executive Board: A. R. Mosher, Chairman, A. Massé, Secretary, B. H. Crawford, A. N. Lowes, and George H. Stoker. Trustees, Geo. E. Lowe, A. J. Teasdale, and C. H. Stevenson. Local Divisions: Sydney, North Sydney, Joggins Mines, Mulgrave, Stellarton, Truro (2), Halifax (7), Bridgewater, Amherst, Charlottetown, Campbellton, Newcastle, Moncton (3), St. John (2),

Edmundston, Fredericton, Levis, Rivière du Loup, Charny (2), Montreal (13), Quebec (3), Mont Joli, Cabano, Richmond, Sherbrooke, Joliette, La Tuque, Coteau Jct., St. Hyacinthe, Ottawa (3), Toronto (9), Hamilton (4), London (4), Reddit, Iroquois, Listowel, Guelph, St. Catharines (2), Porquis Jct., Stratford (2), Fort Frances (2), Rainy River, Brockville, St. Thomas, Kingston (2), Brantford (2), Fort Erie, Allandale, Belleville (2), Cochrane, Fort William, Sioux Lookout, Armstrong, North Bay (2), Englehart, Capreol, Lindsay, Niagara Falls, Parry Sound, Sudbury, Nakina, Hornepayne, Depot Harbour, Kitchener (2), Midland, Palmerston, Peterborough, Sarnia, Windsor (3), Winnipeg (8), Dauphin, Brandon (2), Rivers, Portage la Prairie, The Pas, Moose Jaw, Regina (2), Prince Albert, Melville, North Battleford, Saskatoon (2), Watrous, Biggar, Kamsack, Kindersley, Radville, Kipling, Shellbrooke, Humbolt, Edmonton (3), Calgary (2), Edson, Wainwright, Jasper, Drumheller, Mirror, Hanna, Prince George, Vancouver (3), Smithers, Kamloops, Prince Rupert, Victoria, New Westminster, McBride.

RETAIL DISTRIBUTION

National Retail Clerks' Association, Local No. 1. London, Ont.

National Retail Drivers' Union, Local No. 1. Secretary, H. Hopkins, 7 Kennedy Apartments, Winnipeg, Manitoba.

VICTUALLING

National Beverage Workers' Union, Local No. 1. Secretary, B. F. Box, 117 Garfield Avenue, London, Ontario.

Bakers' and Dairymen's Industrial Union. Secretary, A. E. Keay, 286 Glidden Avenue, Oshawa, Ontario.

London Milk Drivers' and Dairy Workers' Union. Secretary, A. E. Erwin, 216 Richmond Street, London, Ontario.

Sault Ste. Marie Bakers' and Dairymen's Union. Secretary, F. S. Walton, 157 Alexandra Street, Sault Ste. Marie, Ontario.

All-Canadian Bartenders' and Waiters' Union, Local No. 1. Secretary, J. Spencer, 121 Elm Street, London, Ontario.

National Union of Hotel, Club and Restaurant Employees, Local No. 1. Secretary, H. J. Graham, 7 St. Patrick Street, Saint John, New Brunswick.

Atlantic Sugar Workers' Union. Secretary, F. J. O'Connor, 27 Peters Street, Saint John, New Brunswick.

National Biscuit Workers' Union, Moncton Local No. 1. Secretary, Lola Gagnon, 638 Main Street, Moncton, N.B.

Canadian Flour and Cereal Workers' Association, Port Colborne, Local No. 1. Secretary, S. L. Gaudie, 136 Park Street, Port Colborne, Ontario.

Owen Sound Grocery Employees' Association. Secretary, Richard W. Ward, 780 Second Avenue West, Owen Sound, Ontario.

Toronto Wholesale Fruit Employees' Association. Secretary, R. H. Schieck, 54 Austin Avenue, Toronto, Ontario.

SHOE, WOOD AND FURNITURE WORKERS

Canadian Union of Woodworkers, London Branch. Secretary, R. Corke, 318 Oxford Street, London, Ontario.

Canadian Union of Woodworkers, St. Thomas Branch. Secretary, A. Beales, 93 Fifth Avenue, St. Thomas, Ontario.

British Columbia Woodworkers' Union, Local No. 1. Secretary, V. W. Dalziel, 2426 Yale Street, Vancouver, B.C.

Canadian Barrel Workers' Association, London, Local No. 1. Secretary, G. Nethercott, 8 Rosewood Avenue, London, Ontario.

[Mr. N. S. Dowd.]

National Union of Furniture Workers, Local No. 1. Secretary, A. Hawksford, 308 12th Street West, Owen Sound, Ontario.

National Union of Furniture Workers, Local No. 2. Secretary, John R. Lamiman, Box 427, Kincardine, Ontario.

National Union of Furniture Workers, Local No. 3. Secretary, R. E. Hallman, Hanover, Ontario.

National Union of Furniture Workers, Local No. 4. Secretary, W. Slight, Listowel, Ontario.

Mr. BIGGAR: I have no questions to ask Mr. Dowd.

By Hon. Mr. Coté:

Q. Mr. Dowd, last summer this Committee made a preliminary report to the Senate, and that report indicated it was the unanimous wish of the members of the Committee that the railways should effect economies. There was no dispute about that. Now, during the course of this investigation a few suggestions have been made for meeting our railway problem. One, by Sir Edward Beatty, was unification of management. Your brief makes it very clear that your organization is opposed to that. Then there was another proposition made, by the President of the Canadian National, Mr. Hungerford. He said that the present law governing co-operation, that is the Act of 1933, and the arbitral tribunals which may be set up to enforce co-operation, have practically failed to work, and he suggested that this scheme should be strengthened by interposing an independent commission, or commissioner, which would force the railways to engage in joint schemes of economy. Is your Congress in favour of that?—A. No. I think I might say that as far as the organizations represented by the All-Canadian Congress of Labour are concerned—I am speaking on behalf of about 30,000—they would be equally opposed to co-operation as to unification. They believe that that is not the answer to our problem. And they also suggest that very great economies have been made since 1928, in view of the fact that 70,000 railway workers have been thrown out of employment, and that there have been vast economies in operating expenses. The railways, I think I might say at this point, are eager in every way to effect economies in operation, that is so far as their own internal problems are concerned. But as far as the general principle of co-operation is concerned, the workers are opposed to that.

Q. Thank you.—A. May I say in that connection in regard to the other proposals placed before the Committee, the attacks on railway wages which you have heard from Mr. McDougall, Mr. Meikle incidentally, and from Mr. Peterson particularly yesterday, that it seems to the workers I represent scarcely a coincidence that now when this inquiry has been reopened this entirely new subject of the reduction of railway wages should be introduced. I believe it is not a coincidence, but a concerted attack on railway wages, and the workers I represent believe this is only the beginning of an attack which will run all down the line, and, as I said in my brief, the workers do not believe our economic problem—not our railway problem, which is only incidental to it—our economic problem in Canada can be solved by reducing wages. The proposal that wages be brought down to the level of the farmer's income is only something you might expect from a mind less intelligent obviously than Mr. Peterson's.

By Hon. Mr. Calder:

Q. Mr. Dowd, if I may interrupt you right there. On page 3 of your memorandum in paragraph 6, quoting from the report of the Executive Board of the Congress in convention, this statement appears: "The solution of the railway problem will be reached only when the general problem of industry is solved, through the economic planning of all industrial activities, and their operation for

service rather than profit." Now, as I take it, that means briefly this, that in so far as the work of our Committee is concerned, we might as well stop considering the question of evolving any plan whereby this railway problem can be solved unless we are prepared to adopt the principle that it can only be solved when all the industries of Canada are operated under some means of planning. What do you just mean by that?—A. Senator, I might put it this way. The economic condition of Canada is like the condition of a patient who is suffering from hardening of the arteries, arteriosclerosis. He goes to a doctor for treatment. I don't think any doctor would suggest cutting out a few of the arteries, but he would deal with the general condition of the patient, his diet, habits, sleep. I trust there are no doctors on the Committee so I may speak freely.

Hon. Mr. PARENT: You speak like a university man.

The WITNESS: I am a university man. I feel our railway problem is only one instance of general disintegration of an economic system which has been in operation since the 17th century. To you gentlemen in particular, members of a deliberative body, business, industrial and financial leaders, and men of light and learning, I say the workers on whose behalf I speak endorse this general proposition, that no solution of the railway problem can be found until the people of Canada are prepared to endorse a system of co-operation and public ownership whereby the natural resources, the technical and managerial skill, the labour, the factory equipment of our country, are used to give us the highest standard of living which we have a right to expect, with a proper sharing of work, leisure and income.

Hon. Mr. PARENT: Communism.

The WITNESS: No, sir, it is not Communism in any sense of the term. The title is not important, the principle is. The title does not mean anything.

By Hon. Mr. Horsey:

Q. Take the medical example which you cited. Suppose a man has a broken arm, is he to be treated for everything?—A. No, sir. Canada is not suffering from a broken arm. Canada is suffering from a condition in her arterial system. You will see it in red across the map.

By Hon. Mr. Robinson:

Q. Arteriosclerosis is a hopeless disease?—A. It certainly is not. High blood pressure is not by any means a hopeless disease. Hardened arteries, as most of our older men know, can be softened up and made to work better. There is no difficulty on that score.

By Right Hon. Mr. Meighen:

Q. For my own information—I have tried before and failed—will you give us in a few words the difference between what you think is the real cure and Communism?—A. Senator, I think that question, if I may be permitted to say so, is irrelevant and immaterial. I am not here to discuss Communism, Socialism, co-operation or anything else. I am glad to have an opportunity to suggest to the committee that they are dealing only with one aspect of our problem, and I am quite satisfied that you yourself can follow on the general lines of which I speak. As you said yesterday, Senator Meighen—if I may address myself, Mr. Chairman, to Senator Meighen, whose brilliance everybody recognizes, and with whom I do not propose to cross swords, for it would be utterly foolish on my part to attempt to do so—yesterday you said you did not care what name it might bear so long as it was a solution of the problem.

Q. Hear, hear.—A. I agree with you. It does not matter what name we call it whereby we shall get goods and services to the people of Canada. I do not care whether we follow the system that has been laid down by Marx or [Mr. N. S. Dowd.]

by any other economist. I don't think we need follow Marx, for Canadians have brains enough to solve their own problem. We have brains enough in the Senate, we have brains enough around this table if you men would put your minds to the problem as it exists on a large scale. Of course, there are no interests, except the workers and some farmers—for whom, I may say, Mr. Peterson did not speak—who want to see the high standard of living in Canada maintained by means of co-operation, national ownership.

By Hon. Mr. Black:

Q. I think you said a moment ago you were opposed to co-operation?—A. I am opposed to the scheme of co-operation which was provided for in the Railway Act of 1933—the Canadian Pacific-Canadian National Act.

By Hon. Mr. Murdock:

Q. You mean compulsory co-operation?—A. Yes, compulsory co-operation. The workers are opposed to any scheme whereby opportunities for employment will be lessened, because they believe that they have a right to earn a living. That is the right of every Canadian citizen.

By Right Hon. Mr. Meighen:

Q. That applies, then, just as much to the Act of 1933 as it would to legislation for the purpose of putting compulsory co-operation into effect?—A. Yes, sir. So far as the workers are concerned, they believe every measure designed to reduce employment and purchasing power of the workers is inimical not only to their interests but to the interests of the country as a whole.

By Hon. Mr. Parent:

Q. Do I understand you to say that since the Act of 1933 went into effect 70,000 men have lost their positions?—A. No, Senator Parent; since 1928. At the peak, in 1928, there were 201,000 employees roughly; to-day the number is 133,000.

By Hon. Mr. Calder:

Q. Personally, I am anxious to understand the principle that underlies your attitude. I should like to get, if possible, a concrete illustration of just what is meant by the statement I have read.—A. Surely.

Q. I will read it again: "The solution of the railway problem will be reached only when the general problem of industry is solved"—now, this is the important part—"through the economic planning of all industrial activities." As an illustration of an industrial activity, let us take a mine up in the Porcupine area, a huge mine—

Hon. Mr. PARENT: The Lake Shore mine.

By Hon. Mr. Calder:

Q. —with thousands and thousands of employees. Now, what do you mean by "economic planning" of that industrial activity?—A. I will tell you, Senator. When I am talking about this situation here I am not talking about any specific mine or the mining industry. I do say that in Canada, with 10,000,000 people living on half a continent, and with our mining resources, our wheat fields, our technical skill, our educated people and our homogeneous population, and with all our advantages, including our railroads, our factory equipment, our skill of all kinds, our financial capital, should there be 2,000,000 people on relief in Canada?

Q. No. I agree with you there should not be.—A. All right. That mine would appear in the general scheme. We propose first of all a thorough economic

survey of the national resources of Canada, including its man-power and factory equipment. We propose, in the second place, that on the basis of the survey there should be an investigation made why we have poverty, privation, misery, and injustice in this richly endowed country. In the third place, we say if the industries were co-ordinated, not taking out the railway industry as a whole, which is only a carrier for the rest, you would keep your wheat and corn and factory products moving in sufficient quantities to give the people of Canada a decent standard of living, a standard which they can perfectly well achieve, and your railway problem would be solved over-night. You are dealing with the carrier. The real problem is, there is not enough freight. We want enough freight.

Q. Do you really think the people of Canada themselves control that situation?—A. I think they do. That is, I think they can—

Q. Entirely?—A. Entirely; —to the extent they are permitted to. So far as our foreign trade is concerned, we will trade wheat for oranges.

Q. But suppose the other fellow won't trade oranges for wheat?—A. We will have to use something else, we will have to use apples, for instance. We have everything in Canada except coffee and sugar—sugar is actually made in Canada—Canada does not need to be dependent on any other country in the world. If we were an island completely surrounded by the ocean, would we starve to death?

Q. I suppose not. But I have not got within a thousand miles of an answer to my question. I want to know what you would do with the mining industry.—A. What would we do with that particular industry of mining under a system of economic planning?—

Q. Yes.—A. I would say that that particular mine and the products of every mine in Canada—

Q. Just stick to the one mine.—A. After all, one mine is only a cog in the wheel. Where would the mine be without a railway running into it?

Q. But what are you going to do with it?—A. I say if that mine is worth working, then the minerals which came out of it should belong to the people of Canada, and should be utilized for the benefit of the people of Canada.

Q. Who would do the utilizing?—A. I am perfectly willing to leave it to the Department of Mines here in Ottawa.

Q. In other words, the State would take hold of it?—A. I think the State would probably take hold of it, just as the State runs the post office, the radio, and a number of other things.

Q. Should the State take over the production of sugar?—A. After all, the people are the State, I am not afraid of the people, I am not afraid of direction by the State. Are you afraid of yourself, Senator?

Q. No.—A. Let the Senate run the thing. It could not be worse than the condition to-day. Senator Calder, you are an experienced man, you know that.

Q. What you state in effect, so far as that particular industry is concerned, is that the people would take hold of it and run it in any way they like for their own interest?—A. Yes, either by a commission or by a department of Government.

Q. And in the same way the people would take care of the production of sugar and farm implements?—A. I don't think we would take it over exactly. You know what national ownership or operation means? Our post office, for example, is as good as any, or our hydro-electric system in Ottawa. Do the people of Ottawa take it over? Is that the bogie? The hydro-electric system throughout the province of Ontario is the finest and cheapest in the world, so far as I know, and it is operated by the people—it is operated by a commission.

Hon. Mr. BLACK: I do not think we are getting any enlightenment on the railway problem.

[Mr. N. S. Dowd.]

By Hon. Mr. McRae:

Q. On page 3 you say that the lines might be used for effective colonization purposes. I would like to ask if your membership is in favour of immigration, and if so, to what extent?—A. The attitude of the Congress is simply this, that there should be no general immigration into Canada so long as our economic system creates such a large measure of unemployment and relief.

Q. Then your reference to colonization purposes has no importance whatever?—A. Yes. There are thousands of Canadian workers starving in the cities that could be placed on farms. What are we going to do? Let them starve?

Hon. Mr. CALDER: That is not immigration.

The WITNESS: I merely say our railways should be used intelligently.

By Hon. Mr. Calder:

Q. You are not in favour of immigration?—A. Not at this time.

By Hon. Mr. McRae:

Q. There has been evidence before this Committee that our railways have been built for a population of 20,000,000, whereas our population is about half that. Do you not think the growth of population would be one of the important factors in restoring these two roads?—A. I simply refer you to Professor McDougall, who said you could not expect people to come here to worse conditions than they were experiencing at home.

Q. Then we must deal with the population we have?—A. I think you must use the railways to the best advantage in opening up the country and creating an economic system, with social services such as unemployment insurance, which they have in England. An unemployed man in England when he comes to Canada goes on relief and is liable to deportation. Canada has deported more workers than she has brought in in recent years. My remarks may have suggested that I am in favour of communism. There is no organized body in Canada which attacks the All Canadian Congress so much as the Communist Party. So far as I am aware there are no communists in any of the unions affiliated with or chartered by the All Canadian Congress, and my suggestion has nothing to do with socialism or communism as such. I simply suggest to the people of Canada that they should realize that the word "problem" should be put in quotes, because that is not the real problem in any sense of the word, and I stand by the statement that we shall find a solution of the railway problem only when we find the solution of the general problem. But do not say there is no indication of ways in which that problem can be approached, because your Parliamentary library is full of books that will give you all the information you need on the distribution of national income, and on ways in which the people of Canada could work together to achieve a high standard of living for everyone—and let us forget this cutting of wages for any group.

Q. You represent a pretty powerful organization?—A. I would like to think so.

Q. Including a great many of our citizens. There is a feeling abroad that you have a very powerful political influence; that is, that your vote is all-powerful. I notice in the memorandum you submit a very strong endorsement of the Government policy. It is on page 3. I want to ask would the conviction of your members be largely recorded in your electoral vote?—A. I couldn't say as to that.

Q. You come with some expert knowledge, as you have in these other matters?—A. The All Canadian Congress is not in politics; it has never been in politics and has never expressed a political opinion so far as I am aware. It is not associated with any political party in Canada, and we would endorse the Conservative Party, if it was in power, just the same as the Liberal Party, because its stand, as announced, would be exactly the same.

Q. It has consolidated the sentiment which permeates your organization; you are unanimous for what you believe to be in your best interest, naturally, and that makes a pretty consolidated movement, because it is unthinkable that you would split your vote.—A. All I can say is that the Congress has never endorsed candidates.

Q. Of course.—A. And so far as I know the workers of Canada are not any more influenced than are the people of Canada as a whole.

Q. Let me change the question. If the issue were to be unification or no unification your members would vote 100 per cent for no unification?—A. I think they would, but I am not at all sure it would be necessary for me to advise them to do so. Let me say a word with regard to Mr. Peterson's statement yesterday that the people of Canada had no views on the railway question, that they are looking to Parliament. I think most people will agree that that is not right. The people approved of Mr. Bennett's policy regarding amalgamation, and later the Liberal Party on a similar policy was returned with a huge majority.

By Right Hon. Mr. Meighen:

Q. I want to get as much logic out of you as I can.—A. Yes, Senator.

Q. I do not assume that your organization is connected with the Third International. I have never heard it suggested.—A. Thank you.

Q. And I do not think it has any idea of force?—A. That is perfectly right.

Q. Now you have advocated here a general plan, and you say you are against communism. I have therefore a right to demand that you tell me what is the difference between communism as practised in Russia and the plan you advocated to Senator Calder?—A. May I frankly say there may be twenty-seven different definitions of communism.

Q. Do not get off the track. What I ask is the difference between Russian communism as practised and what you have advocated to-day?—A. I don't know.

Q. Neither do I.—A. But I do say this, and I know Senator Haig will agree, because he told the St. James' Men's Club the other night that they were not afraid of communists in the West, that they elected them to legislatures, and that we had to pay some attention to what Russia is doing. And this is my answer. If Russia has any solution of our economic problem we would be terribly short-sighted if we refused it because it is communism.

Q. I agree with that. But can you not tell me any difference?—A. I say frankly I don't know, except I will say this: so far as I know the Russian experiment was put into effect by a comparatively small group at the outset by revolutionary methods, and I understand the Communist Party is still supported by the people as a whole, and they have democratic methods. I believe in Canada, if we understand, we shall reach the same goal which the Russians profess to be driving for, by constitutional means—by electing men to our Parliaments, and sometimes putting them in the Senate, who will use their influence in such a way as to bring about changes in the economic system as would remove the ills and sacrifices under which we now suffer, and without any blood purge.

Q. The purpose is the same?—A. The purpose is the same. The method would have to be adaptable to Canada.

Q. And the kind of democracy they have you want here?—A. No, I don't say that. I said that so far as I understood the Communist Party was supported by the people of Russia, by a democratic system.

Hon. Mr. PARENT: By their army.

The WITNESS: That may well be. But my point is this, that the purpose which the Russians seek to achieve is the purpose which should animate us Canadians.

Right Hon. Mr. MEIGHEN: Sure.

[Mr. N. S. Dowd.]

The WITNESS: Do you not believe we have sufficient intelligence to be able to use our natural resources in such a way as to give our people a high standard of living? We do not need to follow Russia. We heard yesterday about a common-sense method of solving the railway problem. I suggest that there should be a common-sense way of solving the general problem, and that will solve the railway problem.

By Hon. Mr. Calder:

Q. There is another thing. I cannot understand it at all. We have had two or three witnesses here—and Mr. Peterson went over it yesterday—as to the attitude of labour in Great Britain, where they had a railway problem, and the attitude of labour here in Canada. They are as far apart as the two poles. In Great Britain at first, according to the evidence before us, the labour organizations representing not only hundreds of thousands, but probably millions of people, were absolutely oppose to anything in the way of consolidation, amalgamation or rationalization, or whatever you may call it. Parliament went ahead in spite of that. That is a fact, isn't it? Parliament went ahead in spite of that?—A. Of course you will realize that in the British Parliament railway labour and labour in general is pretty well represented, and its interests were represented to some extent. If you want me to admit that these railways—

Q. Wait a minute. I say that the labour organizations, so far as the evidence here is concerned, is briefly as I have stated it: that all the labour organizations, practically as a unit, were opposed to anything in the nature of rationalization or amalgamation, and that Parliament in spite of that went ahead?—A. Yes.

Q. And amalgamated one hundred and twenty different railway organizations in four units?—A. Railway lines, yes.

Q. And that has gone on. That was begun in 1921 or 1922 or 1923.—A. I am not sure.

Q. And that has been in operation ever since. And that not only has the labour opposition to that movement ceased altogether, but that to-day labour is demanding that the four remaining groups be unified, in the interest of economy, and in the national interest, in the interest of all the people of Great Britain. That attitude is the attitude of the railway organizations themselves. Now, my difficulty is this. What is the reason for the attitude of labour in Great Britain and the attitude of labour as represented by you?—A. I was here yesterday afternoon and I noticed that the Committee was rather exercised over the situation in Great Britain. Last night the Canadian Brotherhood of Railway Employees sent a cable to Mr. J. Marchbank, General Secretary of the National Union of Railwaymen, which is the largest labour organization in Great Britain, with a membership in the vicinity of 475,000—

By Hon. Mr. Dandurand:

Q. In the railway field?—A. It represents in wage matters approximately 75 per cent of all British railway workers. The National Union of Railwaymen is the largest labour organization in Great Britain, with a membership of nearly 475,000 railway workers; and it represents, as I say, 75 per cent of all British railway workers. This was the cable, signed by Mosher, Canadian Brotherhood of Railway Employees,—the president, as you know.

“Certain interests here urging Parliament unify two large railway systems basing arguments on British practice. Please cable attitude British railwaymen towards consolidation already achieved and if now advocating complete unification state on what basis.”

Hon. Mr. CALDER: That is a very fair statement.

The WITNESS: This is the reply by Mr. Marchbank, which came in this morning:—

“Not satisfied with existing consolidation British railways and advocating complete unification of all means of transport under national ownership and control.”

Hon. Mr. HUGESSEN: That is just what I said yesterday.

Right Hon. Mr. MEIGHEN: That is different from your attitude. You do not want co-operation at all.

Hon. Mr. PARENT: Just the opposite.

The WITNESS: They are asking for complete unification of all means of transport under national ownership and control. And if you ask what our attitude on that question is, I say that that would be much more acceptable to the workers I represent than any unification scheme under private management.

By Hon. Mr. Parent:

Q. Because there would be more patronage?—A. You know as much about that as I do, Senator Parent.

By Hon. Mr. Horsey:

Q. Mr. Dowd, where the general system of national planning for industry as a whole is being carried out in Russia, how are the railwaymen there faring, under this ideal system?—A. I am sorry, sir, I have no information on that point.

Q. Would you like to see the railwaymen here go under that system?—A. You know, sir, as well as I do, that Russia was a feudal country, and in the space of some thirty odd years—perhaps twenty odd years—it has been practically revolutionized, the whole country, and it has endeavoured to re-establish itself on an industrial basis, making more progress in twenty odd years than the other countries had made in two hundred.

Q. I am just asking you that question. Would you like to see your railwaymen and labour here under those conditions that are prevailing in Russia?—A. No.

Q. Where they can be taken from one place to another and ordered here and there?—A. Well, as far as that is concerned, you know perfectly well that a railway company can order a man here and there at their own sweet will, and the men are perfectly willing to go. They get their transportation paid. I think you mean to ask if I would like to have here the standard of living that they have in Russia. We in Canada do not need to reduce to the Russian standard of living, we do not need to reduce to the German standard of living, or the Chinese standard of living. We in Canada can maintain a high standard of living. I think you gentlemen, particularly those of you who are in business, know that your factories are not producing adequately, I mean up to productive capacity, at all. In every field—housing, agriculture, and so on—practically in every field there is room for vast improvement, which I think can be achieved if we get together on it instead of fighting, instead of having competition, instead of having the duplication which runs right through the piece from universities to abattoirs.

By Hon. Mr. Robinson:

Q. It was going to ask a question. I do not know whether it is pertinent or impertinent. I was wondering whether the stand that is taken here on behalf of labour organizations is for the protection of those sheltered members of the labour community who are already employed and not so much in the

[Mr. N. S. Dowd.]

interests of those poor devils who have been dropped by the railways and are not employed. Are they still members of the organizations?—A. I think that as a matter of practice every labour organization does carry its unemployed members. They are not asked to pay dues and they are allowed to attend meetings, and so on. In fact, they are encouraged to keep up their contact with the organization. I think that is a general statement of the practice that is followed. And now, if I may, I would like to refer to just another point, with regard to another statement made yesterday by Mr. Peterson. He said that the labour unions were showing an attitude of callous indifference—you know the sort of thing that this man pulled off yesterday—callousness and disloyalty, terrorizing the public with threats of domestic warfare and dislocation of transport, and so on. May I say to you that the labour leaders of Canada and the railway workers as a whole have given a great deal more thought and study to this problem than any other group of people, and I think that they are very much more competent to say what is at least in their own interest, and, since they represent such a considerable body of the public, what is in the public interest. The railway organizations have never proposed these things purely on a selfish basis. They are Canadian citizens, home owners, taxpayers to a considerable extent—they are home owners and taxpayers to the extent that is possible—and so far as wages are concerned, I suggest to you that the average is \$1,448, including the salaries of the higher paid officials. I have here a railway schedule of the Canadian Brotherhood of Railway Employees, covering 9,000 workers of the Canadian National, in a group known as clerks and other classes of employees; and I can show you, for example, that the salaries of ticket clerks go down as low as \$95 a month. Here is an office, for example, in Toronto: district stores, departmental invoice clerk, \$130; stenographers, \$115; filing clerk, \$130, and running down to clerks at \$92.50. No one is going to suggest, surely, that that is too much for men who are supporting families, and who in many cases have had twenty-five to thirty years' service on the railway—because, you know, that after 70,000 railway workers have been let out, you have not many of the younger men left. And \$100 is not enough to support a family properly. Here are loaders, for example, at Montreal, working for 53 cents an hour—

By Hon. Mr. Parent:

Q. That is common labour?—A. No sir; these are skilled men, I presume.

By Hon. Mr. Haig:

Q. Mr. Peterson did not pretend to represent labour yesterday. He quite properly said something that I think is true. He said, "I can only speak for the farmers of Western Canada."—A. With what mandate?

Q. Leave that out. I happen to come from there and I know Mr. Peterson's standing. He said he spoke for the agricultural people of the three Prairie Provinces, their fundamental attitude. He pointed out the difference between the earnings of railway workers and of farmers. He referred not so much to your organization, as I took it, as to the organizations of other trades. Very few of those other trades, I presume, belong to your organization?—A. I think that is right, Senator.

Q. The thing he brought to my mind was this, that the earnings of a farmer in any of the three provinces, in comparison with the earnings of men in these occupations, was all out of proportion. Confine yourself to that. How are you going to solve that problem, in relation to the difference between these earnings? They tell me that the same thing is true in Ontario, Quebec and the Maritime Provinces. Mr. Peterson's charge against the railwaymen was that they got too large a share of the national income, in comparison with the share received by the farming community of this country.—A. Therefore, you propose to take it from the railwaymen—

Q. I did not say that.—A. The only suggestion would be, I presume, that you would take it from the railwaymen and give it to the farmers. We are already giving them a guaranteed price for their wheat.

Q. I am wanting you to suggest an answer to Mr. Peterson's problem.—A. My answer is this, that instead of pulling down the standard of living of any group of workers, which has an average of less than \$1,500 a year, you should raise the farmers' standard of living, by getting more wheat down here and more bread in the homes of the people of Canada. That is what you should do. Get the farmers of the West raising vegetables and fruit, too, and distribute these things. You know what happens: tomatoes and apples rot in the fields, in the Okanagan Valley, for instance, when these things are needed in Vancouver. Use the railways for transporting these things.

By Hon. Mr. Dandurand:

Q. Will you allow me to go back to my own problem?

Hon. Mr. ROBINSON: May I finish with mine?

Hon. Mr. DANDURAND: I thought you were through.

By Hon. Mr. Robinson:

Q. I was asking about the sheltered workers, who are employed, and those poor devils who lost their jobs, and I asked if those unemployed are still members of the organizations.—A. I said that the standard practice of railway labour unions and of all labour unions, as far as I know, is to carry their unemployed on the records. The only sheltered groups that I know of, Senator, in Canada, are in the Senate. There is no sheltered group in the most important corporation in Canada, and 70,000 railway workers are walking the streets because they have no shelter. Where is the shelter? You are sheltered, Senator, but I am not.

Q. Let me ask you another question. Are these men who carried on the register of the organization allowed to vote, if they do not pay their dues?—A. I am not sure as to that. I would say not, in ordinary cases. The labour union is endeavouring, first of all, to protect the interests of its membership, first of all, to protect the interests of its membership to the fullest extent, and also, as far as it can do so, to promote such an examination of our economic conditions as will lead to employment for every able-bodied citizen. I mean, that is our general purpose.

Q. Can they take part in the discussions?—A. Yes, surely.

Q. But they cannot vote?—A. I would say not, as a general thing. I am speaking purely without preparation on that point.

Q. Do you agree with the proposition made the other day—A. Excuse me, I am just advised by Mr. MacLean, who knows more about the *modus operandi* of meetings than I do, that they are allowed to vote.

Q. Even though their dues are not paid?—A. Yes.

By Hon. Mr. McRae:

Q. They are included in the membership?—A. Yes.

By Hon. Mr. Robinson:

Q. The statement was made the other day that high wages cause unemployment. Is that your idea?—A. I would say emphatically, no. The higher you can get wages and the more you can increase purchasing power and production going to the people as a result, the better conditions will be for everyone. We would not reduce the incomes of anyone, as far as I am concerned, but would raise the standard of living for everyone. And that can unquestionably be done.

[Mr. N. S. Dowd.]

By Hon. Mr. Dandurand:

Q. Mr. Dowd, we formed this committee in order to try to find a system or policy which would reduce the cost of administration of the two railways, and more especially of the Canadian National, which is of greater interest to us as being the State railway.—A. Yes.

Q. Now, we are working under an Act of Parliament of 1933, which directs the two railways to come together and co-operate to reduce expenditures. We realize that we should try to dispense with parallel roads and other redundant services, so that while serving the whole of Canada satisfactorily yet we can reduce considerably the cost of operation and thereby reduce taxes which go to meet deficits. That can only be done by eliminating a considerable number of employees or wage-earners on the roads, which represent, I understand, 60 per cent of the savings. You are opposed to this because, you say, it will force those wage-earners on relief. Should we not try to accomplish what the Act says should be done by finding a way of giving compensation to those employees who would be let out, and who are now doing work which is absolutely useless since it is duplicating work? If we do find a way to take care of these wage-earners—I understand an agreement was arrived at to that effect in Washington in 1936, and perhaps in Great Britain—what objection would there be on the part of labour to saving money to the country and thus reducing taxation?—A. Well, Senator Dandurand, you will realize that this is a situation which is largely governed by the attitude of the two railway companies themselves, and while the railway unions, so far as I am aware, speaking generally, are opposed to co-operation on either a compulsory or a voluntary basis—

Q. Because of what?—A. Because of the fear of loss of employment.

Q. The fear is there?—A. The fear is there very acutely. In spite of that fact the several pooling arrangements, notably as between Ottawa and Toronto, and Montreal and Quebec, have been put into effect, and others are under consideration.

Q. Quite a number are under consideration.—A. Yes. I think evidence will bring out—this is only an opinion on my part from what I already know from reading the previous reports—I think evidence will show that opposition from the railway workers is not an important factor in the situation. The opposition comes from the Canadian Pacific Railway, which is quite afraid that if it should go too far in making savings of this kind, or in any pooling arrangements, it would be less able to pull its chestnuts out of the fire by making some arrangement either under Government auspices or in some other way.

By Mr. Biggar:

Q. How do you know that?—A. Because of the evidence I have read in the report of the Board of Railway Commissioners, as well as the reports made to this committee last year. They indicate that the opposition was, I think, in almost every instance made by the C.P.R. I am informed, for example, rightly or wrongly, that the Canadian National Railways was very anxious to make arrangements about going into Windsor station in Montreal before the big terminal there was projected, and that the opposition came from the Canadian Pacific, from Sir Edward Beatty himself, who stated they had no room in Windsor station for any rival railway.

By Hon. Mr. Dandurand:

Q. I would not draw you into that field.—A. Surely not.

Q. I want you to remain in your own.—A. Correct.

Q. I wonder how we can effect economies, which we believe the people expect us to obtain, in order to reduce the load of taxation without letting off a certain number of men?—A. It cannot be done, Senator.

Q. I know it cannot.—A. It cannot be done; but on the other hand, certain employees would look on the matter in a slightly different light if

compensation were given. But how can you give compensation to a man who has another fifteen years' service ahead of him? Supposing he is earning only \$1,500, are you going to give him \$1,500, \$1,000, or \$500, or are you going to let him try to get relief? He cannot. The point we want to stress is that there should not be less employment, but more. We have 200,000 Canadians out of work to-day, and any suggestion which involves more unemployment must obviously be anathema to the workers, and it is not an answer to the problem. The difficulty is we are looking at this as a railway problem, but in the opinion of the workers I represent it is not only a railway problem, it is an economic problem, it is a national problem. You can do a little piecemeal pooling here and there, but the workers will object to laying off a single man.

By Hon. Mr. Calder:

Q. Mr. Dowd, the evidence before us is to the effect that any scheme of amalgamation or consolidation must necessarily be spread over a period of years, and that the natural decrease in the labour situation would be such as to take care, to a very large extent, of the displacement of labour in a period, say, of from five to seven years. In other words, it is not a case of throwing out thousands of men at one time, as you suggest now. I think the evidence before us is correct, that through death and other causes there will be decreases in labour that will very largely take care of that situation in five years.—A. Then why all the worry? Let death and those other natural causes operate.

Q. And not co-operate in the way of saving money?—A. Well, you might co-operate.

Q. Your whole argument leads to one conclusion, and that is: For God's sake, don't touch this situation at all, because you are going to put some one man out of a job. That is the summing up of your argument.—A. I must protest against that either as a summing up or as a proper interpretation of what I have said, Senator. I said nothing of the sort. I said all workers bar none, all workers including myself, will protest at anything that reduces work and creates unemployment. That is a perfectly natural action. I say, if you can compensate those men in such a way as to satisfy them and the conscience of the people, well, I think you would be perfectly right to recommend it.

By Hon. Mr. Dandurand:

Q. You must remember, if they are taken care of to a certain extent, that they are still in a privileged situation in comparison with other workers throughout the country who are laid off for a season or so and are given no compensation.—A. I think, Senator, as a matter of fact the 70,000 workers have been laid off substantially without compensation, and I am sure others will be laid off, because the tendency is steadily to reduce employment. Those, I think, will be very glad to have any compensation whatever. The fortunate people are those who reach the age of 65 and can retire.

But may I in conclusion place on the record a letter which I wrote to the Prime Minister last year in regard to this railway question, and particularly with regard to the attitude of the Government and of the Canadian Federation of Labour? I tried to point out that your committee has not seen fit to investigate, but I hoped the facts placed on record will indicate the utter lack of bonafides of this Canadian Federation of Labour. In February of last year—

By the Chairman (Hon. Mr. Beaubien):

Q. Is that necessary?—A. It is very important.

Q. You have answered very fully in that respect.

[Mr. N. S. Dowd.]

By Hon. Mr. Dandurand:

Q. Could you not give us a concise epitome of the letter?—A. The point I made to the Prime Minister is this: that a number of Canadian papers had taken a recommendation of this Canadian Federation of Labour as coming from a substantial body of Canadian workers, and had used this as a basis of editorial attacks on the Government. I simply point out here that these papers, the *Montreal Gazette* notably, carefully avoided any reference to the fact that the railway workers of Canada and the general workers of Canada were unanimously opposed to unification.

By the Chairman (Hon. Mr. Beaubien):

Q. You have already made that point.—A. I simply refer to the newspaper attacks and to that particular situation. I think the matter ought to be sufficiently clear that no newspaper in Canada, and this committee, and no other public man in Canada dare base any argument on statements made by the so-called Canadian Federation of Labour, for they would only make a laughing-stock of themselves if they did. I hope the Canadian Federation of Labour has now been completely and finally and fully exposed, but I say the same information was given to members of the Government a year ago, so this is not new to them.

Q. Now you have given us your full brief?—A. Surely. Thank you very much.

The committee adjourned until the rising of the Senate this afternoon.

The Committee resumed at 4.20 p.m.

The CHAIRMAN (Hon. Mr. Beaubien): Are you ready to proceed, gentlemen?

Mr. BIGGAR: Mr. Chairman, during the course of Mr. Dowd's remarks this morning, at ten minutes to twelve, I was handed a letter from Mr. Burford, the Secretary-Treasurer of the Canadian Federation of Labour. It says:—

As Mr. Allan Meikle has returned to Winnipeg, I request an opportunity to clarify some points concerning our organization that have been raised by the witness heard this morning. The privilege of a few minutes hearing by the Committee would be appreciated.

The Canadian Federation of Labour is the organization that was attacked by Mr. Dowd in the last four or five pages of his written memorandum.

The CHAIRMAN (Hon. Mr. Beaubien): Shall we hear Mr. Burford?

Some Honourable SENATORS: Carried.

W. T. BURFORD was called as a witness.

The WITNESS: Mr. Chairman and honourable gentlemen, the privilege of addressing you for a few moments is much appreciated.

By Mr. Biggar:

Q. You had better explain who you are.—A. I am Secretary-Treasurer of the Canadian Federation of Labour.

By Hon. Mr. Dandurand:

Q. I desire to draw your attention to the fact that Mr. Meikle, who spoke for your association, was asked to produce a list of the affiliated associations—I do not know that I asked the names of the secretaries—and he said he would

do so. I do not think he has done so.—A. I do not think he did, but he gave a list to the Clerk of the Committee subsequently. However, sir, I have the list with me.

Now, I do not wish to refute the whole of this morning's submission which the Committee heard, but I do wish to make the position of the Canadian Federation of Labour as clear as I can. For that reason I have brought not only the list which has been referred to but other papers bearing upon our position.

When Mr. Meikle appeared before this Committee a week ago it was not anticipated that the Committee would investigate the nature of the various labour organizations whose views it heard. It was our view that the Committee would consider only the suggestions and testimony bearing on the railway problem, and Mr. Meikle's submission was, for that reason, confined as closely as possible to the railway problem. If it had been thought necessary to review the whole history of our organization and others, that could have been done, but out of respect for the Committee, and having some regard for the Committee's time, Mr. Meikle only submitted the views of the Canadian Federation of Labour on the railway problem.

Now, in order to establish our position, which perhaps should have been done at the outset by Mr. Meikle, I ask you to bear with me while I explain the history of our organization from the beginning, because I think you will agree that in calculating the size and the responsibility of the organization you must have some regard for the length of time it has endured. I think the fourth dimension is sometimes spoken of as duration, and I think that has a bearing upon our position.

The Canadian Federation of Labour, as stated in the memorandum submitted by Mr. Meikle, was formed in 1902. In 1927 it amalgamated with certain other organizations, and as a compromise it took a new name, because it was then adopting a somewhat revised constitution, and became what was known as the All Canadian Congress of Labour. I was secretary of that organization then.

Under that name it functioned until September of 1936, when there was a difference of opinion in the executive board of the All Canadian Congress upon political questions, concerning communists in particular. At the convention in 1935 of the Congress, which had been held in Montreal, the executive board had submitted a report, as was the custom, upon matters in general which had to be considered by the delegates, and one section of this report dealt rather completely with the question of communist intrusions in labour organizations. When the executive board met in September, 1936, to prepare its reports for the coming convention, to be held that year, it considered whether or not it should include a statement on the question of communist organization similar to the one which had been included in its report of 1935. The majority of the board were in favour of repeating in substance the statement of 1935. However there was opposition voiced by one member of the board to the introduction of any such statement. That member resigned and walked out. His resignation was accepted. That member was the president, Mr. A. R. Mosher. He walked out, and his position was taken by the vice-president, who was elected immediately to fill the vacancy.

In disappearing from the executive board of the Congress at that moment, on this issue of whether or not we were opposed to the communists, Mr. Mosher said he would fight us in that convention from the floor.

In view of his refusal to co-operate in completing the report of the executive board, which had to be prepared for the convention a few days thence, and his determination not only not to co-operate but to oppose the executive board in the convention, it was decided that the convention must be put off for a few days. It was quite within the power of our board to

[Mr. W. T. Burford.]

postpone a convention. Conventions had been postponed on previous occasions. From time to time one convention had been postponed for five years. It was thought to be an ordinary routine procedure to postpone the convention for a few days, but much to our surprise Mr. Mosher and some members of his union, one union which was then affiliated with the Congress, held a meeting at the time appointed, in the city appointed, although not in the same hall—it was in Toronto—and with a little party of some thirty or thirty-two, consisting entirely of members of his own organization and of employees of his organization, plus two outsiders, he held what he called a convention, and then proceeded with a couple of enterprising lawyers to a court of law in Toronto and got an interim injunction against myself to prohibit my use of the name of the organization and of functioning in my capacity as executive officer. That interim injunction, secured with the aid of Mr. Joseph Cohen and Mr. Abraham Lieff, was a stumbling block, of course, in the operation of the organization from that moment. We were not able to do a thing, this injunction being secured 300 miles away from where the board was sitting. We were then in Ottawa. Due to the continuance of that injunction not only for the original week but for a total of about 30 days, the organization was smashed.

Honourable gentlemen, you may not quite realize the position of a central labour organization. It exists more or less on the sufferance of its component parts, and they are not always very anxious to belong. They are subject to inducements and invitations to go elsewhere and to transfer their allegiance. They are subject also to the natural disinclination not to pay any dues. And whether it is a labour organization or any other voluntary association, such as, say, a baseball club or a billiard club or a social club or anything of that kind, when one member goes to law against the other members at large and starts a row, what happens? They stop coming to meetings; they stop paying their dues. Inside of that 30 days or thereabouts during which this injunction procedure was being carried through, the organization collapsed. And it was necessary for some of us, if we were going to save the organization at all, or any semblance of it, to set up under a new shingle. We could not incur the expense of litigation, which might have lasted a couple of years, to expel that disgruntled group. So we reverted to the original name of the Federation, which it had had since 1927, and we set up the Canadian Federation of Labour again, minus the group which had tried to wrest control.

Now, Mr. Chairman, in all these proceedings there was one thing very striking to those of us who were trying to maintain a labour organization on a sane basis. We were first of all a movement for freedom in labour organization. We resented any form of foreign control or domination of labour labour organization. But we resented even more the domination of a political group, a subversive political group, such as communists. And their finger was very noticeable in all these proceedings. When the injunction was begun in Toronto, 300 miles away from where we were, the communist paper was jubilant at the action that was taken to prevent the executive board of the All-Canadian Congress of Labour, as our organization was then called, from carrying on its work. Here is the heading in the *Daily Clarion*. I have it in my hand. It is dated September 30, 1936. It is quite visible, I think, from all parts of the room:—

W. T. BURFORD BARRED FROM SPENDING UNION FUNDS

Unfortunately, there was nothing to spend.

Then immediately afterwards when Mr. Mosher and his fellow members in his particular union of state railway employees, and a couple of outsiders, held their little convention, it was adequately reported in the same organ of public opinion. Here is a heading:—

UNITED TRADE UNIONS IS OUR GOAL, SAYS A.C.C.L.

That is in the Daily Clarion of September 29. They had the convention before they got the injunction.

INTERESTS OF LABOUR ABOVE UNION PROFIT, MOSHER DECLARES

By Mr. Biggar:

Q. I do not want to interrupt you, Mr. Burford, but I think the Committee is not in any doubt about the organization represented by Mr. Dowd, of which Mr. Mosher is president, being in favour of something in the nature of communism. We were told that this morning. I do not think you need to labour that point.—A. I think the witness this morning was allowed considerable latitude.

Q. I simply say that that particular point must be conceded, I imagine.—A. There is one little paragraph here which I think it might be well to quote, in this connection, if I may. It is from the British Columbia Workers' News, published by the Proletarian Publishing Association, at Vancouver, Friday, December 11, 1936. There is an article here by Mr. T. A. Ewen, who was one of the communists jailed in 1931, which leaves no room for doubt as to the stand taken by that particular group. In the conclusion, if I may quote it, he says, after referring first to the Burford-McKinlay-McCollum-Meikle-Russell group—

Their most recent letter appealing to members of the A.C.C.L. to join the Federation is correctly castigated and classified by President Mosher as a fascist act. It is the very essence of fascism in the trades unions to snare men into splitting their own ranks and their own organizations; to spread a poisonous nationalism; to make red baiting and communist heresy-hunting the fundamentals of patriotism; to follow the line of Burford and Co. The whole trades union movement of Canada is against fascism and with President Mosher on this issue.

As Colonel Biggar has reminded me, that is not the essence of the argument establishing the position of our Federation. But I should like to point out, in concluding these quotations, that a short time after this incident there was held what we regard as a rump convention in Toronto, and only a little while after that, in April, 1937, the communist papers came out in lurid attacks upon these people whom we regarded as having served as their tools. I have a paper here, of the same trend, dated in April, with this heading:—

AFTER HEPBURN, MOSHER

That was the trend of this group, which formed a part of the All-Canadian Congress of Labour, and which was excluded when the Canadian Federation of Labour reverted to its original title in October, 1936.

Now, at that time, the All-Canadian Congress of Labour consisted of various unions, which I have listed here. It consisted of these national unions:—

Amalgamated Building Workers of Canada.
Electrical Communication Workers of Canada.
Canadian Printers' Union.
Canadian Association of Railwaymen.
Canadian Brotherhood of Railway Employees.
Canadian Association of Stationary Engineers.
One Big Union.

[Mr. W. T. Burford.]

Those were all the national unions, that is unions having more than one and perhaps many local branches in different parts of the country. Those are seven in number. In addition to that it consisted of about a couple of dozen small local bodies. There is rather an extensive list.

Q. You could hand that in, the other list?—A. Yes, it could be handed in. These small bodies did not consist, as a rule, of more than 100 members, at the outside, possibly as few as a dozen. That was the composition of the All-Canadian Congress of Labour at its dissolution in September, 1936.

With the reversion of the Federation to its original title, it took over the great majority of the membership of the old Congress, excluding, of course, one group known as the Canadian Brotherhood of Railway Employees, which is owned and controlled by Mr. Mosher. That was not invited to come along. We held our regular conventions in 1937 and 1938, and at those conventions the different organizations which were affiliated with us played their part. I have here a list of the organizations which in that period of two years prior to our last convention in December contributed to the funds of the Federation. This list is as follows:—

- Amalgamated Building Workers of Canada.
- Atlantic Sugar Workers' Union.
- Canadian Bakery Workers' Union.
- Canadian Brotherhood of Ships Employees.
- Canadian Federation of Actors and Entertainers.
- Canadian Federation of Musicians.
- Canadian Fruit Pickers' and Packers' Union.
- Canadian National Printing Trades Union.
- Canadian Retail Clerks and Wholesale Warehousemen.
- Electrical Communication Workers of Canada.
- Lumberworkers' Association of Canada.
- National Union of Operating Engineers.
- National Union of Theatrical Employees.
- One Big Union.
- Saint John Metal Workers' Union.
- Saskatchewan Coal Miners' Union.
- Saskatchewan Brewery Workers' Union.
- Transport and General Workers of Canada.

Not all of those unions are in good standing or were in good standing at our convention in Montreal last December, but at our convention a good representation was present. We had 117 delegates from within the various organizations. We went through our usual procedure of adopting a report and various resolutions, and submitting an account of our finances, and then electing our board.

Now, gentlemen, one of the principal items as I have indicated, in the affairs of the All-Canadian Congress of Labour and its dissolution, was the executive board's report to be submitted to the convention. At the convention of the Canadian Federation of Labour, our thirty-first convention, in December last, the executive board submitted its usual report, and that report included the statement upon the railway problem, which was made the essence of the memorandum which was submitted to this honourable committee by Mr. Meikle a week ago. I do not think it is necessary for me to read the whole of the board's report on that subject, though if it is desired it can be done. It was substantially the same as the recommendation submitted by Mr. Meikle. But in the adoption of that section of the board's report there was some debate in our convention, and it was finally agreed to adopt this part along with the other parts of the board's report, subject to a proviso. The proviso was in view of the fact that certain labour organizations having contracts with the railway companies were to meet the Government at Ottawa in the following month,

no action by way of propaganda or otherwise should be taken in the interim by the Canadian Federation of Labour on that subject, that is, until the 9th of January this year. That was a proviso accepted as an indication of our desire to be fair with other organizations, not to arouse any controversy within the ranks of labour until the other people had held their conference in Ottawa on the 9th of January and had their say with the Government. Until the 9th of January we said no word further about the railway problem. We fulfilled our obligation. And more than that, we met the Government on the 10th of January in the Railway Committee room of this Parliament building, and in our submission then we also omitted any reference to the railway problem. Though we did have some remark to say about the non-union railway station in Montreal.

By Hon. Mr. Calder:

Q. How many railwaymen did you represent at that time?—A. Our representation of railwaymen, Senator, is not from any particular railway union. We do not include many railwaymen as a matter of fact.

Q. What is bothering me is, why in the world do you bother about the railway problem at all?—A. Because it is not only railwaymen who pay for the present cost of the duplicate railway system, but all other workers and their families have to contribute fully a week's wages a year to maintain this present duplication. That is why we feel labour and other men have not only the right to say in this matter, but particularly a strong claim on the Government of the day to consider and bring about some solution of the problem. Our railway membership does not include more than two or three hundred, and those are in the One Big Union at Winnipeg.

Q. Your idea, then, is that all labour outside of the railwaymen have an interest in this question, and a very great interest?—A. A very serious interest. Everything they buy, everything they eat and wear, if they realize it, there is some amount of hidden tax there which goes direct to the maintenance of this duplicate railway service in Canada. I think if they realized that they would be more interested. But there is silence on that subject as a rule in the majority of labour organizations for the reason that most labour organizations include a disproportionate number of railway employees, and I think you have some idea, Senator, of how conventions as a rule go. A mass of men from different sections of industry, say, meet, and they are together for only a few days. They come with their prepared resolutions as a rule, and there is considerable log-rolling. Nobody wants to be in the position of injuring his brother, and if a railway organization brings up a resolution calling for the abolition of the pool trains—as was done, I believe, at the Trades and Labour Congress convention last September—then it is likely to receive ready acquiescence by the other workers who feel, "We cannot put men out of a job." Because it is presented to them in that fashion, that the only alternative to adopting that resolution is to be on the side of those who want to displace labour. That is why we feel that an organization which is not preponderantly railway has even a greater right to be heard on this matter than one which contains a dominant railway faction.

By Hon. Mr. Horsey:

Q. Do you make submissions on the tariff as well as on other matters with respect to labour?—A. Yes, sir. As a rule we meet the Government with our annual submission, in which we cover the whole ambit of legislative proposals. But it has been our aim as far as possible to confine our representations to matters of really urgent concern to workers at the time. Though this year we omitted in our submission to the Government any representation about the railway problem, last year we did take it up.

[Mr. W. T. Burford.]

I was saying to Senator Calder that our railway representation is not very great. It is mainly a section of the One Big Union, with headquarters at Winnipeg.

By Hon. Mr. Murdock:

Q. May I ask a question? You say some of your associates were against communism, and that is why you broke loose from the All Canadian Congress of Labour?—A. No, sir, we did not break loose from the All Canadian Congress of Labour.

Q. Well, the All Canadian Congress. You were against communism?—A. Absolutely.

Q. And therefore when you started out on your own your chief organization was the One Big Union in Winnipeg?—A. It was the largest organization certainly. Now, the attitude of the One Big Union on both Communism and on the railway question is adequately stated in its publication. I have a copy here. I do not want to read it to the committee, but I would like to refer to the fact that in January, 1938, when our delegation met the Federal Government in Ottawa, it included quite a good representation of the One Big Union of Winnipeg. I have a list of those who attended to make that submission, but I do not think it is quite relevant. There were fully ten or a dozen representatives of the One Big Union to meet the Government on the 18th of January, 1938, and in our submission we dealt rather completely with the question of railway co-ordination under the heading of transportation. This has all been repeated in the memorandum which Mr. Meikle submitted to the committee, and therefore I do not think it is necessary to refer to it in detail, but it is practically in the precise wording of the memorandum submitted to the Federal Government in January, 1938. The One Big Union assisted us in submitting the case for railway co-ordination to the Government. Not only that, but it gave publicity to the subject in its official organ of January 30, 1939, the One Big Union Monthly. This, I may say, is a violently anti-Communist organization, Senator Murdock.

Q. The One Big Union?—A. Yes.

By Hon. Mr. Calder:

Q. I am interested in the attitude of labour other than railway employees. You say they have a great interest in this?—A. They are contributors as taxpayers.

Q. How are they contributors? They don't pay any income tax, or very little.—A. There are other taxes besides the income tax that workers pay which bear heavily on them as consumers.

Q. For example?—A. The sales tax, for instance.

Q. What is the amount of the sales tax?—A. Eight per cent.

Q. What is that on?—A. Pretty nearly everything indirectly or directly.

Q. Would it be on boots, clothing?—A. It is included in the price of those articles.

Q. Provisions? You ought to know about it.

Right Hon. Mr. MEIGHEN: You ought to know that too, Senator.

Hon. Mr. CALDER: I think I do.

The WITNESS: We know that the workers, who form a major section of the community, do bear a tremendous share of the burden of taxation.

By Hon. Mr. Calder:

Q. And a great majority of them do not know it at all?—A. They do not know it.

Q. What you say is quite true. The sales tax of 10 per cent—

Hon. Mr. McRAE: It is much more than when it gets to the retailer, it is 13 per cent.

Hon. Mr. HORSEY: There is nothing on food.

Right Hon. Mr. MEIGHEN: Oh, yes, there is something on food. I know a company whose sales tax has taken its bond interest for years. It produces nothing but food.

Hon. Mr. CALDER: It is one of the big hidden taxes.

The WITNESS: We feel for that reason the workers have an interest in this as indirect taxpayers.

By Hon. Mr. Calder:

Q. Your workers, who are labour men in the main, say, "For goodness' sake let us do something to save money so our taxes will be lower." Is that the attitude?—A. If they would realize that about a week's wages for every year have to be devoted to this one purpose of taxation to pay for duplicate railway services, I think they would be up in arms about it; but owing to the circumstances I have alluded to in the conventions of labour organizations, it is difficult for that feeling to crystalize because there is so much propaganda from those who have a direct interest in railway employment to counteract any tendency of the workers to inquire too closely as to who supports the railway.

I was referring, sir, to the One Big Union which, as I said, is one of our principal constituents. It participated in our interview with the Dominion Government in January last year. It has taken part in all the activities of our federation up to this time.

By Hon. Mr. Murdock:

Q. And you say it is very anti-Communitic?—A. Absolutely.

Q. Why the change, which is so remarkable, since 1919?—A. It never was Communistic.

Q. Well, excuse my ignorance, then.—A. I wish I had brought along some evidence of the attitude of the Communists towards the One Big Union. However, I do not think that an organization which supports the policy of the Canadian Federation of Labour, as this one did on the occasions I have referred to, can be called a Communistic organization. That very fact surely is sufficient to indicate its leaning.

But to resume. The One Big Union participated in our conventions of 1937 and 1938, the last one being in December. At that convention the basis of Mr. Meikle's memorandum was adopted, subject to the proviso I have referred to. It became necessary as a matter of internal discipline to suspend the One Big Union on the 16th of March, and I have noticed—I think it has been brought before this committee—that on the 20th of March the One Big Union decided it was really expelling itself, was really withdrawing from the federation. I give it credit for the exercise of a good deal of after-thought. It is true that the One Big Union, owing to the acceptance into membership of a small section of railway employees underwent a change of heart on the railway problem. There is reason to believe that those railway employees, that small group, are exercising a big influence upon the policy of the organization through the organization's expectation of further accessions of membership in that direction. Anyhow, they did write to us and ask us why we were not observing the proviso which we had undertaken to observe at the convention, which applied only so far as the 9th of January is concerned. After the suspension had been announced, they decided this was the reason for their withdrawal. That is the condition of that affiliate of the federation.

[Mr. W. T. Burford.]

Now, in his submission this morning the witness made various allusions to our organization, but I have no copy of the document which he submitted, and I can only rely upon my memory, but I do remember a few points, and if my memory fails I hope I shall be reminded.

The references to the formation of our organization and the references to its character I think are of particular interest in view of the fact that the witness this morning could not distinguish the policy he is advocating from that which they are seeking to bring about in Russia. I think it is relevant to allude to this fact that the gentleman who was heard was, until not very long ago, the secretary of the Ottawa club of the Co-operative Commonwealth Federation. I have in my hand a report from the *Ottawa Journal* of April 24, 1936, in which it is stated:—

The Ottawa C.C.F. club, through Norman S. Dowd, secretary, wrote protesting against employment of special constables on relief investigation work, stating this imputed dishonesty to the people on relief. Likewise the club denounced the proposal that other citizens should act as "spies and informers" to disclose ineligible families on relief.

On the suggestion of the Mayor, Mr. Dowd will be asked to give particulars of the attendance at the meeting of the club when the resolution covering the protest was passed, with the number and names.

Now, I think it is quite proper that the Secretary of the C.C.F. Club in Ottawa should be here in a dual capacity, because he has served in a dual capacity for a long time. He happens to be a half-time parson. On Sundays, I believe, he ministers to the Unitarian Church, and I take that to indicate that he is in favour of a certain measure of ecclesiastical unification. He also served as substitute for the president of his organization, who kept in the background pretty securely this morning, and who happened to have advocated railway unification before the Duff Commission in 1932. I may be allowed to turn to the testimony that was submitted on the 15th of February, 1932, to the Royal Commission on Transportation by Mr. A. R. Mosher of the Canadian Brotherhood of Railway Employees. It is as follows:—

1. That all measures and policies looking to the amelioration of the transport situation should fit into a general plan envisaging the eventual unification and consolidation of all forms of transportation,—railways, motor vehicles, aircraft and shipping using inland waterways—under public control and public ownership.

6. That the national interest will be best served by consolidating the C.N.R. and C.P.R. under public auspices, and that the obligation to be assumed on account of Canadian Pacific common stocks should be the rate of dividend American railways are legally allowed to earn, or the average of the dividend paid over the whole period of the present business cycle, for the reason that, while over one-half the C.P.R. common stock, and probably a greater proportion of its other securities, are held by non-residents of Canada, the value of C.P.R. properties has accrued largely from gifts of Canadian money, lands and mines, and through the general agricultural and industrial development arising from the labour of the Canadian people.

That very successfully states the case for unification and consolidation, whatever the distinction may be; therefore I think it is odd that on an occasion like this a spokesman should appear, apparently representing a large organization, and oppose the very measures which, before the Duff Commission in 1932, were advocated by the same group.

Since the question as to representative character has been raised before this Committee, I should like to refer to the position of the organization which was represented here this morning. It seems that there is a certain elasticity in some of the statistics because we heard the figures 30,000 mentioned, whereas there was a disparaging reference to our modest claims for something over 50,000. The 9,000 railway men referred to as composing the Brotherhood of Railway Employees seem to be a doubtful quantity; but there was a qualification in that statement as to members fallen out, unemployed or probably deceased, who are carried on the records. I have a copy of the financial statement of that organization, the Canadian Brotherhood of Railway Employees, for the fiscal year ending in 1938. It shows that from dues and fees the sum of \$41,541.50 was received.

By Hon. Mr. Calder:

Q. That is from all members?—A. From all members.

Q. Only the annual fees? Does that include insurance?—A. No. That includes the per capita payable to the central office by the organization's branches, of seventy cents a month. A proposition of amalgamation is being submitted by that organization to the Canadian Association of Railway Men, and in The Canadian Association of Railway Men's Journal for March the terms are made public. One of the terms of the proposed amalgamation—it is interesting to see how good it is in one activity and not in another—is that seventy cents per member shall be placed in the general convention and Journal fund or funds of the Brotherhood. At seventy cents per month the annual dues payable to the central office will be \$8.40 a year. Taking that a \$8 and dividing it into 41,000 you get a membership of approximately 5,000. But we must remember that some claims have been made as to the organization of truck and bus drivers in Ontario. I have seen it mentioned that there were as many as 3,000 of them in that membership. But unfortunately it has disappeared, and if we take 3,000 from the 5,000 we get an interesting figure of membership. I do not wish to labour that point.

By Hon. Mr. Murdock:

Q. Speaking of membership, why did not you let the Labour Department check you up and get the information they usually get?—A. That is a point I shall be very glad to throw light upon, because I know it has been raised and has tended to put our organization in an adverse light.

As I have hinted, we are a free organization; we resent any effort at establishing a dictatorship in this country on one ground or another; we resent undue interference with free labour organization by any administration. But we recognize that there is a certain justification for a request by the Department of Labour to check up on records of membership of any body. We think that is fair and reasonable to a degree, and were the first to propose such an examination.

In June of 1937 we invited the Department of Labour to conduct a check of all our records. I was in the department myself, and the Deputy Minister being at Geneva at the time, I was speaking to the Assistant Deputy and two other officers. They were perplexed in making up their report for 1936—the year in which we parted company with a certain element—as to which column they should show certain organizations in. To relieve them of any doubt, I asked them if they would come in a body to my office—which is on Sparks street—or would send any one of their number to check up all the records we had. They did not accept the suggestion. Mr. Brown, the Assistant Deputy and Acting Deputy, felt it was an unusual procedure and did not want to make any departure in the absence of his superior officer. However, I met him a few weeks later, and I said the offer was still open for the depart-

[Mr. W. T. Burford.]

ment to send to our office any member of its staff to check up on the available records. He said, "All right," and in about half an hour he sent over Mr. Donald Sutherland, Chief of the Intelligence Branch, and he was shown our records.

These records are composed of these particular items: the reports from the affiliated unions, showing the membership and the amount of remittance they send covering affiliation fees; then there is the entry in the cash book showing the receipt of those fees; then there is in due course a bank deposit slip to be made up when the money is deposited, and that is receipted by the bank; then there is the bank's monthly statement or the bank book, certified by the bank. Those are the principal items, and all of those were shown to the Chief of the Intelligence Branch of the Department of Labour in 1937.

Now, that procedure having been adopted in the case of the Canadian Federation of Labour, it was subsequently applied to other organizations in 1937, and they did not come out so well.

In 1938 I was to leave on the 18th of May for Geneva, where I was going to attend the International Labour Conference as adviser to the Government delegation. On account of the favour done on that occasion—and I may say parenthetically that I am reluctant to criticize the department; we are beholden to the department—it is a difficult thing to speak frankly and amply about a matter of controversy. But on that day I was requested by the Deputy Minister to call in at the department. I went over, and all the staff were there, and they all had one proposition—that our federation should submit its records to an audit by an outside agency, not the usual agency within the department. From June of 1937 until this day in May, 1938, no reference to the inspection of our records had been made to us, and we were suddenly confronted with this proposition to consent to an examination of our books or we would show ourselves in a bad light. Well, I had no authority from our board to submit to an audit by an unnamed party who was not a member of the department's staff, and I could do nothing else but say I would have to consult—

By Hon. Mr. Calder:

Q. The auditor might have been one of Mr. Dowd's members?—A. There is no telling who he would be, and there is some diffidence about submitting your records anyway. A sensible man like Donald Sutherland would come and look at your records, and if he found on the 31st of December that a certain union was not up to date, he would not say it was struck off the list. He would look further. On January 5th it might be paid up, but technically it might not be in good standing on the 31st of December. If you are going to split hairs, you might find very few labour unions have anything like the members they claim to have at a specified moment. As a matter of fact, this proposal was never rejected, and it is not true that the Canadian Federation of Labour refused to make its records available. On the contrary, we gave the first invitation.

By Hon. Mr. Murdock:

Q. Is it not the usual practice for the Labour Department to collect from the central labour bodies a list of locals and then to canvass the locals?—A. It is always done.

Q. The Labour Department said that in your case they found not only a certain result which differed very materially from your position.—A. I think the Labour Department report contradicts itself in one or two important respects. I do not happen to have it by me, but I know it states on one page that one of our organizations had 23,000 members, and on another page it states the total membership, including that organization, is something like 8,000, which seems to me a peculiar way of serving the public. However, there was no refusal on the part of the Federation to make its records available, and the offer made

in 1937 to submit to an inspection by the official chosen by the Department, was repeated in 1938. There is no warrant whatever for suggesting that access to the records was barred. And I want to say that it strikes us as most unfortunate that in the report for the very year in which this inspection was conducted, the year 1937, the latest available report, there is no reference to that inspection. That inspection took place in June, 1937. You have had brought before you by Colonel Biggar the report on labour organization for the year 1937.

By Hon. Mr. Murdock:

Q. The Canadian Federation was nine months old then, as an organization?—A. That is the reversion to the name, that is right, yes.

Hon. Mr. McRAE: Mr. Chairman, these five minutes have strung out to a long time. I think we are pretty familiar with most of this evidence. It does not pertain to the question at issue. I understand we have another witness, but I do not know whether he is here or not.

By the Chairman (Hon. Mr. Beaubien):

Q. Are you pretty nearly through, Mr. Burford?—A. I will cut short any further comment, Mr. Chairman, to meet the desire of the Committee. There is just one other matter which I omitted to mention and which will only take a minute, in reference to the character of our organization. I have in my hand a document relating to the affair when the All-Canadian Congress of Labour was dissolved in 1936. This document—it is only necessary to read a few lines—is a deposition in the Supreme Court of Ontario, in the case of:

A. R. Mosher, on behalf of himself and the All-Canadian Congress of Labour, of Local unions affiliated with or chartered by the Canadian Congress of Labour,

Plaintiff,

That is somewhat balled up.

and

W. T. BURFORD,

Defendant.

The examination of A. R. Mosher, the above-named Plaintiff, taken before me, W. J. McWhinney, Special Examiner, at my Chambers in the City Hall, Toronto, on the 6th day of October, 1936, being his cross-examination on affidavit filed on motion pending.

There is just one part which I think is relevant. It refers to the question which I have mentioned as leading up to the resignation of Mr. Mosher from the executive board.

172. Q. Mr. Burford did not discuss that?—A. I believe Mr. Burford did say that the Unionist was to be considered an open forum for the expression of various ideas.

That is the magazine which I was running as an open forum at that time, the Canadian Unionist.

173. Q. Do you disagree with that policy?—A. Yes, to some extent.

174. Q. You do not think it should be an open forum?—A. No. What I did say was that I did not think that members of the executive board should use the official journal to try and counteract the principles and policies of the communists.

[Mr. W. T. Burford.]

Mr. Chairman and gentlemen, I do not think there is any need for any further submission on my part, but there is a good deal more that could be said on this matter.

I thank you very much for this opportunity.

Mr. BIGGAR: Mr. Chairman, the Committee will remember that a submission was received from Mr. George C. Vaudrin, and that it was referred to the Chairmen and leaders to determine whether it was necessary to hear him. That being already referred to in the proceedings, it is perhaps useful to say that the submission has been so considered, and the conclusion has been reached that it is not necessary to hear Mr. Vaudrin orally.

Hon. Mr. HORSEY: Are we going to hear Professor McDougall again when we resume?

Right Hon. Mr. MEIGHEN: Is there anything that has been said that makes it necessary for you to be here, Professor McDougall?

Professor JOHN L. McDOUGALL: I do not think so, sir. There is only one thing, perhaps, that might be said. If I understood Mr. Dowd correctly this morning, he said that my coming might have been part of a concerted plan. Might I say something to clear the railroads there? Whatever initiative was taken, was taken by me and not by them. I went to them in 1934 with the story, that it was a national scandal that things should be as they were, and I came here because I did not appear to be able to make them move. The initiative is mine, and not theirs.

The Committee adjourned until Thursday, April 20, at 10.30 a.m.

Canada Railway Problem, 1939

1939

THE SENATE OF CANADA

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PROCEEDINGS

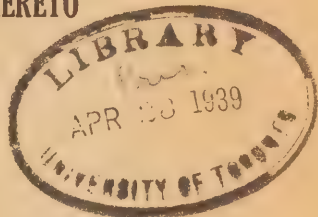
OF THE

SPECIAL COMMITTEE

Appointed to

ENQUIRE INTO AND REPORT UPON THE BEST MEANS OF RELIEVING THE
COUNTRY FROM ITS EXTREMELY SERIOUS RAILWAY CONDITION
AND FINANCIAL BURDEN CONSEQUENT THERETO

No. 5



The Right Honourable George P. Graham, P.C., and
the Honourable C. P. Beaubien, K.C.,
Joint Chairmen

WITNESSES:

Mr. S. W. Fairweather, Director, Bureau of Economics, C.N.Rys.
Mr. N. B. Walton, Vice-President in charge of Operations, C.N.Rys.
Mr. H. C. Grout, Assistant to Vice-President, C.P.Ry.

EXHIBITS:

- No. 99. Communication dated April 13, 1939, from Mr. N. S. Dowd,
Secy. Treas., The All-Canadian Congress of Labour.
No. 100. C.N.Rys. statement re Co-operative projects. Change in
status since July 1, 1938.
No 101. C.P.Ry. statement of the status of Co-operative projects dealt
with by Vice-Presidents' Joint Committee on co-operative matters.

OTTAWA
J. O. PATENAUDE, I.S.O.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1939

ORDER OF APPOINTMENT

(Extracts from the Minutes of Proceedings of the Senate for March 7, 1939)

Resolved,—That, with a view of completing the inquiry pursued during last session by the Special Railway Committee of this House, and preparing and submitting an adequate report on such inquiry, this Special Committee be re-appointed with a view to inquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, with power to send for persons, papers and records and that the said Committee be re-appointed with the same personnel and, therefore, that it consist of the Honourable Senators Beaubien, Black, Buchanan, Calder, Cantley, Côté, Dandurand, Graham, Haig, Hugessen, Horsey, Jones, Hardy, McRae, Meighen, Murdock, Parent, Robinson, Sharpe, and Sinclair.

MINUTES OF EVIDENCE

THE SENATE

THURSDAY, April 20, 1939.

The Special Committee re-appointed to inquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, met this day at 10.30 a.m.

Right Hon. George P. Graham and Hon. C. P. Beaubien, Joint Chairmen.
Colonel O. M. Biggar, K.C., Counsel to the Committee.

The CHAIRMAN (Hon. Mr. Beaubien): Are you ready to proceed, gentlemen?

Hon. Mr. DANDURAND: When we adjourned our sittings last Session I thought that we should know what the Canadian National Railways was administering, and under what conditions it was administering it. I felt that we had not the whole picture of our railway problem, more especially from the Canadian National point of view, which is the state point of view, the Dominion of Canada's point of view, as to the load which the Canadian National from its inception was carrying. I thought a picture should be presented of the railway lines that are unprofitable and those that are profitable, and that then, having that before us, we would realize what the Canadian National Railways, as organized by my right honourable friend some years ago, represent in the way of an obligation of the country. Here we are facing this situation. Mr. Fairweather will explain to us which are the profitable lines, and which are not. When the country understands that it will know what is the task which has been imposed on the Canadian National Railway system, and it may also examine into the situation and see how many hundreds of miles could be lifted, dispensed with or degraded, in order to bring about better financial results. I ask that Mr. Fairweather be heard.

Right Hon. Mr. MEIGHEN: Before he comes, and I am going to hear Mr. Fairweather, I want to register this view, that all this is virtually of no importance to this Committee. That it is important to Canada there is no question. But the great mass of lines that are not paying would not appear to me to be evidence that the way the railways are being run now is the best way to run them. I would presume, if they had got into the red to that extent by this time that in another year or two they would be entirely in the red, which would be another argument in the view of the leader of the Government. But do not let us spend too much time in detailing the returns of each mile of the red, which is not even paying operating expenses. To my mind, the clearer the picture the more imperative the problem of finding some way of solving the question.

Hon. Mr. DANDURAND: I have no objection to that statement, except that here is a situation developing in this country which tends to inculcate the idea that the Canadian National Railway needs considerable reorganization, and that through some fault of its own it is not producing the necessary or desirable financial result. I think that when we have gone through an examination of the lines that are in the red we will have considerable sympathy for the officials in the task which has been placed upon them by the state.

Right Hon. Mr. MEIGHEN: But not by the same state that built the road. The system was organized when I was in power; no doubt about that; and I have never lamented the fact, because there was nothing else on earth to do. But there was a reorganization later on that I very much lamented.

Hon. Mr. DANDURAND: But all these lines became the property of the country through the action of Parliament.

Right Hon. Mr. MEIGHEN: Because we were mortgagees.

Hon. Mr. HUGESSEN: Before Mr. Fairweather is heard, I have one suggestion to make. Several weeks ago a friend of mine, whom I have known for some years, Harvey Black, sent me a memorandum which he had privately prepared, entirely on his own account, relating to his ideas of the railway problem in Canada; and it seems to me that that memorandum, though rather long for the purposes of this Committee, might contain some rather interesting ideas that we should have before us.

He takes two principal points. He believes that since public opinion in this country is not as yet prepared for any measure of unification there should be some system of supervised co-operation between the two railways. And he has some very interesting data as to the extent to which highway competition has cut into the railway revenues. He submitted this private memorandum to me, a friend of his, knowing that I was a member of the Committee, and having read it through I feel that some of the material might be interesting to the Committee. I think that on my suggestion he afterwards circulated copies of the memorandum to the Chairman and some members of the Committee. I hesitate to suggest that another witness be called before the Committee, but I asked Mr. Black to prepare an abbreviated memorandum which he might circulate to members of the Committee; and after members have read it, if they have any questions to ask him, he might be willing to appear here next week. He has not asked to appear, but I inquired of him if he would be willing to come in case any members of the Committee had any questions to put to him. If he came he would not then be doing as some other witnesses have done, that is, read a long memorandum first and then answer questions. If a synopsis of his memorandum is circulated to members first and he were simply asked any questions that might arise out of it, considerable time would be saved.

I might say that Mr. Black has been well known to me for a long time. He is a graduate of Queen's University, a former assistant editor of the *Financial Post*, a former editor-in-chief of the *Financial Times* of Montreal, and he is now the owner of a magazine called *Financial Counsel*, which honourable members from Montreal will know about. He has had considerable experience in matters of finance.

The CHAIRMAN (Hon. Mr. Beaubien): Gentlemen, is it your desire that we should ask Mr. Black for a synopsis of his memorandum, to be distributed to members of the Committee?

Hon. Mr. HUGESSEN: And that he be invited to appear to answer any questions that may arise out of his memorandum.

Hon. Mr. DANDURAND: We may be sitting next week.

The CHAIRMAN (Hon. Mr. Beaubien): We have not much time left.

Hon. Mr. DANDURAND: I may say that I have read that document which Mr. Black has prepared, and it contains a feature which I believe will be very illuminating to this Committee, as to the fundamental reasons why the Canadian Pacific and the Canadian National have found their income gradually dropping. He deals with highway competition—

Right Hon. Mr. MEIGHEN: Has that not already been covered?

Hon. Mr. DANDURAND: No, not to that extent. It was illuminating to me.

Hon. Mr. BLACK: Does he suggest a remedy?

Hon. Mr. DANDURAND: I suppose he has his conclusions. His statement will be far more interesting than the one we got from a western gentleman who wrote here and claimed that the voice of the West should be heard, but

who, when he came, said he was speaking for himself only and did not know what the opinion of the West was. I suggest we hear Mr. Black next week.

Right Hon. Mr. MEIGHEN: I have no objection to hearing anybody at all, but I want to predict that we are going to be shunted until we cannot prepare a report, because the session is getting near the end. It was thought at first that we would be sitting on this Committee only a few days. It now appears that the session will be over before the Royal visit, and if that turns out to be the case, how in the world can we continue hearing evidence and get our report ready?

Hon. Mr. DANDURAND: Of course, that situation arose when my right honourable friend suggested that Mr. Peterson, from Calgary, be heard as a representative of the Western Provinces. The inquiry was then reopened, to that extent. I think that when my right honourable friend sees Mr. Black's statement he will find it is far more informative than Mr. Peterson's was.

Right Hon. Mr. MEIGHEN: I am not going to object to Mr. Black's coming, but I want it known that we must have our report ready this session. We should be in an absurd position if we did not.

Hon. Mr. DANDURAND: That is why I am pressing the work. We are meeting to-morrow in our Banking and Commerce Committee. I am pressing our public legislation through the Senate on committees, in order that we may have more days to give to arriving at our conclusions here. I would suggest that we tell Mr. Black we will hear him next week.

The CHAIRMAN (Hon. Mr. Beaubien): Senator Hugessen, you might perhaps ask Mr. Black to come here? Then if we require to question him on his memorandum, he will be at our disposal.

Hon. Mr. McRAE: And in the meantime we are to have a synopsis of his memorandum?

The CHAIRMAN (Hon. Mr. Beaubien): That is understood.

Hon. Mr. DANDURAND: I thought that Mr. Black's paper should perhaps be printed and distributed to members of the Committee before he comes here.

Hon. Mr. HAIG: He is going to prepare a synopsis, I understood.

Hon. Mr. HUGESSEN: He will prepare a synopsis himself, at my suggestion.

Hon. Mr. ROBINSON: Where will it be printed?

Hon. Mr. HUGESSEN: He is preparing it at his own expense, mimeographing it.

Hon. Mr. DANDURAND: The whole statement should be produced because it covers a number of questions and is very interesting.

The CHAIRMAN (Hon. Mr. Beaubien): I have received a letter from two railway employees who state they are speaking for a group of junior employees on the railways. They ask to be heard. I told them that the session was very far advanced and it was for the Committee to decide whether they would be heard or not. It seems to me the best thing to do would be to have the letter read here and let the Committee decide now.

The CHAIRMAN (Right Hon. Mr. Graham): That might open up quite a wide door.

The following letter was then read by the Clerk of the Committee:

LONDON, ONTARIO,

April 10, 1939.

Senator C. P. BEAUBIEN,
Ottawa, Ontario.

Sir,

We the undersigned junior men, in the running trades of our Canadian railways, wish to convey a few facts which exists in the running trades.

The senior men, engineers and conductors, working 3,800 miles per month or the equivalent of 38 days per month. Due to the fact that there are only 26 calendar work days in a month, which no other class of labour in the Dominion of Canada exceeds.

One hundred miles constitutes a day of 8 hours, or, 8 hours or less constitutes a day's pay, the senior men voting themselves this 38 days, are actually stealing 12 days each month which belong to the laid-off fireman. If the senior men were working 2,600 miles or 26 days each month it would gainfully employ from 10,000 to 15,000 men, overnight, in full-time employment, this would take approximately 45,000 people off relief rolls.

Other industries would reopen, employing extra help, money would start circulating throughout the Dominion of Canada, the beggar and the transient would come off the road, would reduce crime which is forced on people who are not criminals.

The senior men claim there is an agreement between the Company management and the men, which gives them the right to 3,800 miles per month, this is not correct, there is an agreement between the Company management and the men, that the senior man, through his seniority gives him the right to any run or runs to which his seniority entitles him to regardless to what the run or runs pay.

If the senior men were working 2,600 miles per month would receive approximately \$200 per month, we believe that your Committee will agree with us that there will be no hardship created to anyone in our contention we are only asking for what rightfully belongs to the unemployed.

On the Canadian National Railway, our Government is paying the senior men 12 extra days each month to keep men on relief, this to us does not sound practicable.

The senior men claim they are working on their pension. If the senior men were working 2,600 miles per month their pension when superannuated would amount to far in excess of 80 per cent of the weekly wage of the labouring class of people in the Dominion of Canada.

We have canvassed the Ontario district, on the seniority list of 673 men, 450 are in favour of the 2,600 miles.

This is not a question between the Brotherhoods alone, as we have no jurisdiction in the Brotherhood Locomotive engineers or conductors. We are appealing to the Senate Committee, working on this railway problem for permission to be heard, in order to get these miles more equally distributed among the unemployed. Please advise if and when permission may be granted.

Thanking you in advance for your co-operation.

We remain,

Sincerely yours,

W. H. WHITE,
V. J. BLACK.

W. H. WHITE,
814 Princess Ave.,
London, Ont.

The CHAIRMAN (Hon. Mr. Beaubien): Gentlemen, do you think we might ask for a short memorandum from these gentlemen also? Time might be saved in that way.

Hon. Mr. MURDOCK: Mr. Chairman, I am not altogether out of sympathy with the views expressed in that letter, but suppose we did get a complete memorandum, containing all the information possible on the subject, what could this

Committee do about that question? It surely is a question of concurrent rights between the men and the railway companies, and this Senate Committee certainly cannot do anything about that.

Right Hon. Mr. MEIGHEN: I am inclined to agree with Senator Murdock. There may be injustice there, but if we removed the injustice the burden on the public would be just the same.

Hon. Mr. MURDOCK: Yes. We might all sympathize with them, but can we do anything about the matter without being charged with butting into something that is really none of our business?

Hon. Mr. BLACK: Mr. Chairman, I agree with Senator Murdock's remarks, except his last one. I think there is an apparent injustice there.

Hon. Mr. MURDOCK: Oh, yes.

Hon. Mr. BLACK: It seems to me that that could very well be referred to the managers of the two roads and the Transport Commission for consideration and adjustment, if possible. The matter is a serious one, and it is certainly well worth considering the suggestion that is made, if it would take 45,000 men off relief.

Hon. Mr. MURDOCK: If we stop to think for a minute, Senator Black, we realize that figure of 45,000 men is an exaggeration.

Right Hon. Mr. MEIGHEN: The writer says his suggestion would put 10,000 or 15,000 employees to work, and this would take about 45,000 people off relief.

Hon. Mr. HAIG: Mr. Chairman, I do not see how the men who sent the letter could write a better one. They tell us about things exactly as they are, and I think that the letter should go on the record.

Hon. Mr. DANDURAND: Yes, it will go on the record.

Hon. Mr. PARENT: Mr. Chairman, do these young men who complain of the situation belong to the same union?

Hon. Mr. MURDOCK: That would be hard to determine. Possibly some of the representatives of transportation organizations could tell us that. I do not know.

The CHAIRMAN (Hon. Mr. Beaubien): They do not say.

Hon. Mr. MURDOCK: I understood from Senator Little that these two gentlemen came to see him the other day in London and put their case before him.

The CHAIRMAN (Hon. Mr. Beaubien): We simply leave the letter in the record as it is. Do you want anything more, gentlemen?

Some Hon. MEMBERS: No.

Hon. Mr. ROBINSON: I am wondering what is the proper attitude on a matter of that kind. I suppose under the reference we are to deal with the problem of annual deficits on the operation of the railways. Or are we to take a little wider view?

The CHAIRMAN (Hon. Mr. Beaubien): No, I think we are confined to that.

Hon. Mr. ROBINSON: I ask the question because the evidence before this committee is broadcast all over Canada. This committee is a sort of forum where many things in connection with the railways are ventilated, and the public reads the newspaper reports of our proceedings with no doubt a great deal of interest. In that way we may be doing some good, although not accomplishing much in the way of saving money.

This letter bears out the evidence of Professor McDougall, whose memorandum was somewhat along the same lines. If there is a real hardship under the conditions set out in the letter, this committee might be a good means of helping to create a public sentiment in favour of improving the situation. If,

however, it is best for us to confine ourselves to the economic position of the railway, we do not need to deal with the letter.

The CHAIRMAN (Hon. Mr. Beaubien): Senator Robinson, I think the committee has been named for a special purpose, and I am afraid what you suggest would mean going beyond the purpose assigned to us.

Hon. Mr. HAIG: The men enter into a certain contract with the railways. One of the conditions of that contract is that the senior men take ranking position. It is a grievance so far as the junior men are concerned, but its remedy lies with the railways and the men themselves. This letter might be a hint to the Government that there is a way along the line suggested of helping to reduce unemployment. In Winnipeg, where we have a very large railroad population, we feel unemployment very keenly. However, the senior men are living up to their agreement, and they say, "Why should our wages be cut?"

Hon. Mr. DANDURAND: It covers the two railways.

The CHAIRMAN (Hon. Mr. Beaubien): Oh, yes. Now, Colonel Biggar, you have another letter to file?

Mr. BIGGAR: I suggest, Mr. Chairman, that this letter should be attached to the proceedings. It is from Mr. Dowd, explaining the attitude of the All-Canadian Congress of Labour towards the question of Communism. I remarked in the course of Mr. Burford's evidence that the All-Canadian Congress was in favour of something in the nature of Communism. Basing his letter on that remark, Mr. Dowd says:—

The term "Communism" is frequently used as implying violent revolutionary action and dictatorship such as is in effect in Russia. To anything of this kind the Congress is unalterably opposed, as indeed I indicated in my evidence. The actual proposals made by the Congress are accurately and fully set out in the submission I made to the committee, for example, at page 150.

It is just an explanation and nothing more.

(Letter filed, marked Exhibit No. 99.)

The CHAIRMAN (Hon. Mr. Beaubien): Gentlemen, are you ready to hear Mr. Fairweather?

Some Hon. MEMBERS: Yes.

Mr. S. W. FAIRWEATHER was called as a witness.

Hon. Mr. BLACK: Mr. Chairman, I understand Mr. Fairweather is going to speak about the lean roads and illustrate them by this map on the wall.

Right Hon. Mr. MEIGHEN: I understood he was going to give us the lines that are not paying. We have had that already. I do object to an opening up, a replication of the argument now. If we do open it up we shall have to hear the other side too.

Hon. Mr. DANDURAND: There is no other side when it is a question concerning the activities of the Canadian National.

Right Hon. Mr. MEIGHEN: Why did not he give that information before?

Hon. Mr. DANDURAND: Of course, if there has been trouble in part—

Right Hon. Mr. MEIGHEN: He should have given it all if it is important to the main case.

Hon. Mr. DANDURAND: We will hear Mr. Fairweather and see if he is giving new material.

Hon. Mr. McRAE: Would it not shorten the proceedings if he took province by province? Then some of us who are familiar with the respective provinces

[Mr. S. W. Fairweather.]

could ask him a few questions applying to the roads we know something about. This would make the evidence short and terse.

Hon. Mr. DANDURAND: Yes. Of course, I do not know what kind of memorandum Mr. Fairweather has before him, but I do not suppose it is very long.

The WITNESS: Three pages.

Hon. Mr. DANDURAND: We have asked him to give us the lean lines.

Right Hon. Mr. MEIGHEN: We have that now. Make that map a part of the evidence. That is all we ever agreed to.

Hon. Mr. DANDURAND: You will have the explanation of Mr. Fairweather.

Right Hon. Mr. MEIGHEN: The explanation is, the lines don't pay.

Hon. Mr. DANDURAND: Will you listen to him?

Right Hon. Mr. MEIGHEN: I object to any prolonged memorandum about this subject because it is not pertinent at all.

Hon. Mr. HUGESSEN: It is not very long, about three pages so far as I can see.

Hon. Mr. DANDURAND: Will you proceed, Mr. Fairweather?

The WITNESS: Pursuant to the request that has been received from Mr. Biggar, I undertook to classify the lines of the Canadian National system in Canada to illustrate where the deficit of the Canadian National arose. I think that was the gist of Mr. Biggar's request. I have prepared a short memorandum, which has been distributed to the members of the committee. I think perhaps the best way of proceeding with it would be to read it. It is very brief. Is that satisfactory, Mr. Chairman?

The CHAIRMAN (Hon. Mr. Beaubien): Yes.

The WITNESS:

DISTRIBUTION OF CANADIAN NATIONAL RAILWAYS INCOME DEFICIT TO SHOW WHICH LINES OF THE SYSTEM IN CAN- ADA ARE PROFITABLE AND WHICH LINES ARE UNPROFIT- ABLE.

The income deficit of the Canadian National in the year 1937 amounted to \$42,028,700. It is the purpose of this analysis to determine how much of this income deficit arose from the operation of lines of railway in Canada, and to develop which of the Canadian lines produced a profit and which were operated at a loss.

As a preliminary step to the detailed analysis, it is necessary to determine how much of the total deficit arises from railway operation in Canada, as distinct from the operations in the United States, as well as the operation of hotels, coastal steamship services, electric lines and the many separately operated properties. This primary allocation indicates that the income deficit arising from the operation of Canadian National Steam Railways in Canada in 1937 was \$35,500,000, and it is the detailed allocation of this amount which is under consideration.

In making this analysis, three classifications of lines have been established:—

- (1) Lines which earn enough to pay operating expenses, taxes and interest charges.
- (2) Lines which pay operating expenses but fail to earn sufficient to fully meet taxes and interest charges.
- (3) Lines which fail to earn enough to pay operating expenses.

The accounting records of the System are not kept in such a manner as to show the revenues and expenses of each particular section of line. Consequently, in order to make the desired classification, it became necessary to make a redistribution of revenues, expenses, taxes and fixed charges, each line being credited with its estimated proportion of revenues and debited with the expenses, taxes and fixed charges estimated to be applicable to it. The resultant allocation, while approximate, is believed to be sufficiently accurate to allow of the desired classification to be made, and to illustrate which lines of railway are profitable, marginal and unprofitable respectively.

It might be proper to point out that the abandonment of unprofitable lines of the Canadian National, as developed by the analysis, would not result in economies proportionate to the deficits which have been allocated to such lines, because the fixed charges and distributed overhead charges would remain even if the lines were abandoned.

Of the 21,972 miles of railway which have been analyzed, it develops that 4,034 miles fall into the profitable category, 4,087 miles in the marginal classification and 13,851 miles in the unprofitable category. It also develops that the profitable lines had a surplus over operating expenses of \$26,000,000 and a profit after taxes and interest charges of \$9,000,000. Lines of the intermediate category produced a surplus over operating expenses of \$3,200,000, but a deficit after taxes and interest charges of \$7,900,000, while the definitely unprofitable group showed a loss after operating expenses of \$17,800,000, and after interest and taxes of \$36,600,000. All of these figures relate to a traffic volume equal to that of 1937.

The following statement summarizes the results of the analysis:—

	PROFITABLE Lines which pay Expenses, Taxes and Interest	MARGINAL Lines which pay Expenses but do not fully pay Taxes and Interest	UNPROFITABLE Lines which do not pay Operating Expenses	Total Canadian Lines
	(4,034 Mls.)	(4,087 Mls.)	(13,851 Mls.)	(21,972 Mls.)
TRAFFIC LEVEL EQUAL TO 1937				
Operating Revenues.....	\$ 99,842,900	\$ 38,066,400	\$ 27,173,200	\$ 165,082,500
Operating Expenses.....	73,848,800	34,881,600	44,981,500	153,711,900
Net Revenue from Operation.....	\$ 25,994,100	\$ 3,184,800	\$ 17,808,300	\$ 11,370,600
Taxes and Fixed Charges.....	17,017,400	11,064,000	18,810,200	46,891,600
Net Income.....	\$ 8,976,700	\$ 7,879,200	\$ 36,618,500	\$ 35,521,000

By Hon. Mr. Dandurand:

Q. Have you got a list of the lines falling into those three categories, either by provinces or as a whole?—A. I have a list, sir, of every line, but of necessity it is terribly long and involved.

Q. Could you indicate to us by name, as you go from Prince Edward Island to Vancouver?—A. I think I could do that, sir.

Q. Will you kindly do that?—A. Well, if we start down in Nova Scotia, I would first call attention to the line which runs from Halifax to Yarmouth, with a branch across the province to Middleton and down to Bridgetown, and to the spur in the centre of the province at Caledonia. That line is definitely a thin traffic line. It serves the communities along the south shore of Nova Scotia, and the lumbering industry in the centre of the province; and the spur from Middleton down to Bridgetown reaches into the Annapolis Valley. That particular piece has been approved for abandonment by the Board of Transport Commissioners, as a co-operative measure. That is a thin traffic line, as I say, and is operated at a loss.

[Mr. S. W. Fairweather.]

By Hon. Mr. Parent:

Q. How many miles does it represent?—A. 348 miles, and the loss on that line is very substantial.

By Hon. Mr. Dandurand:

Q. Out of this 348 miles how much does the Transport Commission allow to be lifted?—A. 23 miles.

The next line is on Cape Breton Island. Those lines serve the coal mining industry on Cape Breton Island and furnish the complete transportation there. The line up along the Gulf of St. Lawrence is a thin traffic line. It runs up to a little coal mine at Inverness. The coal mine is in serious difficulties, and it is definitely an unprofitable, low traffic line. We only operate it for public convenience. It was acquired, I think, in 1929, because the then private owners had reached the end of their tether and could not keep on operating at all. So it was purchased by the Government and incorporated in the Canadian National system.

Q. What service is it rendering?—A. It renders essential service to the people along that coast. Without it they would be entirely cut off from transport, and any hope of the mine operating would disappear.

By Hon. Mr. Parent:

Q. Have you the deficit on each particular line?—A. I have, sir, but I think if we got into that in detail it would be too much.

Q. It would be too hard to know the truth?—A. I have the figures. I am just suggesting that to the committee.

By Hon. Mr. Haig:

Q. Your red line shows that it is operated at a loss?—A. Yes. But while those lines which are red fail to pay operating expenses, the margin by which they fail varies greatly. Some are almost in the yellow group, and some are very bad. The Halifax and South Western shows a very severe loss. The line to Inverness also, on a mileage basis, shows a loss, though it is a short line.

The other line, running up to the mine at North Sydney, is a very heavy traffic line, and it is surprising that it turns out red. There is lots of traffic on the line. The reason it fails to pay operating expenses is this. There are a number of factors, the principal ones, however, being that the grades on the line are very adverse—it is through a mountainous country—and the line is not very well located. Then again, the commodity it carries, which is coal, is carried at a very low rate, so that while there is a lot of traffic there is not so much gross revenue as you might think.

By Hon. Mr. McRae:

Q. You get a subvention on that line, and you give a credit for that?—A. The subvention?

Q. Yes.—A. The revenues are credited to the line. Of course, there is another factor which has to be taken into account. There is a very considerable movement of O.C.S. coal over that line.

Now the other lines in Nova Scotia consist of the line running along from the ferry over to a junction with the main line. That line partakes of the general character of the line in Sydney, and my remarks with regard to that line in Cape Breton apply to it.

I may draw attention to a small line running out of Halifax to the West—the red line—the Musquodoboit line. That was built as a development line into that territory not so very long ago in my recollection, and it is a thin traffic line. It furnishes needed transportation to the settlers in the section.

Q. Is the truck competition on that line severe?—A. It is, and that is a whole story in itself. It leaves the railway to carry the heavy traffic and to operate in winter storms, and in the summertime the trucks come and take the high grade traffic. That is, of course, a very important factor not only there but all over Canada. It is in my opinion an artificial condition arising out of the revolution that has taken place in land transport and the failure to adjust the rate structure.

Next is Prince Edward Island. I think those lines need very little explanation. There are 323 miles of line on the island, with a total population of 88,000, and they are operated very definitely at a loss, but again as a public convenience.

Q. Could you give us roughly the loss on the Prince Edward line?—A. Well, I hesitate to quote figures, but that particular loss would run over \$1,000,000 a year in my opinion.

By Mr. Hugessen:

Q. Does the ferry pay?—A. Oh, no, sir. How could you expect it to pay with an ice-breaking car ferry operating for nine miles straight, and under winter conditions bucking ice that may be twenty feet thick. It is purely and essentially just part of the transportation system.

By Hon. Mr. McRae:

Q. You do not include the loss on the ferry in the loss of the railway?—A. No.

By Hon. Mr. Sinclair:

Q. Do you give credit for freight that originates there and gives a credit on the other main line?—A. It is credited with the proportion of revenue it gives the main line and the proportion the main line gives to it. Each part of the system furnishes traffic to the other portions of the system, and conversely.

I have attempted to credit to each line of railway the revenues that can be fairly apportioned to it, to explain the deficit; and there are undoubtedly earnings on the rest of the system originating in Prince Edward Island. There are earnings on the Canadian Pacific Railway that originate in Prince Edward Island; there are earnings in the United States that originate in Prince Edward Island. What I have to allocate are revenues that I judge are earned properly on the road there.

By Hon. Mr. Haig:

Q. Both ways?—A. Yes, both ways.

By Hon. Mr. Sinclair:

Q. Did you ever figure out what the difference would be on the Canadian National if there were no railway on Prince Edward Island, if you did not get the traffic that originated there and went there?—A. That leads you pretty fair afield. This is an attempt to explain where the deficit arises, and if we went into that other field it would be quite a chore.

By Hon. Mr. Haig:

Q. Is there truck competition there?—A. Oh, yes. The same thing applies. It is simply this: the old rate structure was based upon a concept of robbing Peter to pay Paul. You carried low grade commodities long distances almost at cost and recouped yourself from the high grade commodities. Then along come the highways, and that simply falls to pieces.

Now, shall I move on? Moving into New Brunswick I would direct attention first to the line that runs up the Saint John valley. That line of railway

[Mr. S. W. Fairweather.]

serves the farming communities up along the Saint John valley, and throughout a considerable portion of its route it is the only railway they have available. It is operated at a loss. The history of it is that it was taken over from the province of New Brunswick, which undertook to build a short cut from the National Transcontinental to Saint John, and first leased it, half-built, to the government railway, and subsequently it was purchased and incorporated in the Canadian National system.

The line from Saint John to Moncton pays its operating expenses.

By Hon. Mr. Dandurand:

Q. That is the yellow line?—A. Yes. It pays operating expenses and yields some profit after that. And the National Transcontinental line from Halifax right through the provinces of Nova Scotia and New Brunswick meets all its operating charges and whatever interest charges are assessed against it.

Next is the main line of the I.C.R. from Moncton up to Campbellton. That is red because, as a result of the construction of the National Transcontinental, the through traffic was largely diverted to the National Transcontinental as being the shorter and better line.

Next I would call attention to these small spurs. The Caraquet and South Shore, up along the Baie de Chaleur, that is a line furnishing the only rail communication to the fishing settlements down there, and the other spurs are in the same category.

Now, moving into Quebec, we have the Gaspé lines. They are interesting in that they also were acquired fairly recently, at a time when the private owners had reached the end of their tether and could not carry on transportation there any longer.

By Right Hon. Mr. Meighen:

Q. That was not done away back in 1919 and 1920?—A. It was done in 1929, I think. They reached the end of their tether, and it simply became a question of taking them over in the public interest. That is as I size it up.

By Hon. Mr. Dandurand:

Q. And they were joined to the Canadian National system?—A. Oh, yes. These lines are 182 miles long. They serve a population of 20,000 people, and the railway company suffers a loss on operation account of about \$350,000 on them.

Q. Yearly?—A. Yes.

By Hon. Mr. Haig:

Q. That does not include fixed charges—A. No. If you put in fixed charges, it comes to about \$430,000.

By Hon. Mr. Parent:

Q. The Gaspé lines represent a total loss of about what?—A. About half a million dollars a year.

Q. And they are how long?—A. About 182 miles.

Q. From Matapedia?—A. Yes. The town of Richmond has 2,400 population, and Malbaie has 2,700. Oh, I quoted a wrong figure there. It has just been pointed out to me—and I should have known it—that the mileage on that line is 202, instead of 182.

The next line, moving into Quebec, is the old line of the I.C.R.—

By Hon. Mr. Horsey:

Q. Is that loss getting greater or less?—A. No, it is about steady.

Q. Quite a lot of tourists are coming in?—A. Well, of course that country down there is very sensitive to economic conditions. A large part of the industry is lumber, and it is either a feast or a famine. And then there is fishing. The railway undertook to encourage a particular type of agriculture down there, and it has been quite successful. They grow late peas for the New York and Boston markets down there, and that has developed into quite an industry. They are able to grow peas there late in the summer and ship them down to the luxury markets in New York and Boston, and this is helping out the community. But it is definitely a low profit line.

Q. I was just wondering whether it was getting worse or improving?—A. No, I would not say it was getting worse. I think it is probably getting better.

By Hon. Mr. Buchanan:

Q. Have you not water competition down there?—A. The water competition on lumber and lumber products is terribly severe.

By Hon. Mr. Dandurand:

Q. You are now speaking of what?—A. The Gaspé line.

Q. And you were coming to the Intercolonial?—A. I was coming to the old line of the Intercolonial, from Campbellton down to Diamond, or Lévis, Quebec. That line pays its operating expenses and has something left over. It is one of the main lines of the system, running through a thickly settled country, and furnishes a good deal of local transport. And in addition to that it is the through passenger route of the Canadian National to the Maritimes. The through freight goes down over the green line.

Q. That is the Transcontinental?—A. I am sorry, sir, I mean the Transcontinental line from Quebec to Halifax, or to Moncton.

Q. It carries the freight?—A. It carries the through freight.

By Hon. Mr. Hardy:

Q. A large part of that line, Mr. Fairweather, is part of those lines that were recommended to be abandoned by the Canadian Pacific, if I remember last year's evidence?—A. I think they recommended the abandonment of portions of the line from Lévis to Diamond. I think they recommended abandonment from Lévis down as far as Chipman.

Q. And that is a profitable line?—A. Oh, yes.

Now, in Quebec I think we might call attention to the line that runs up along the lower shore of the St. Lawrence—

By Hon. Mr. Buchanan:

Q. Before you leave the other, how much of that mileage would belong to the old Intercolonial system?—A. Practically all of it. It is practically all the old Intercolonial system and Government railways, except the Halifax and Southwestern and the Inverness Railway. Originally the I.C.R. consisted only of the main line from Halifax through and from Saint John to Moncton, and then gradually those other branch lines were picked up; generally as they became unpopular they were absorbed into the system.

Q. They were picked up at the time the Intercolonial was incorporated into the National Railways?—A. No, long before that. They were picked up progressively. I think they were picked up first in 1919, in the war crisis—I think earlier than 1919.

By the Chairman (Right Hon. Mr. Graham):

Q. Nobody else wanted them?—A. Nobody else wanted them, sir.

The line down the St. Lawrence river, from Quebec along the North Shore of the St. Lawrence, up to Murray Bay—

[Mr. S. W. Fairweather.]

By Hon. Mr. Dandurand:

Q. From what point to what point?—A. From Quebec down to Murray Bay. That line has a history of acquisition similar to what I have already described. It is a red line. It serves the tourist business down there, and it also serves several industries.

By Hon. Mr. Parent:

Q. All the red line there from Quebec to Murray Bay does not belong to the Canadian National?—A. No. They have trackage rights over the line.

Q. The Quebec Light and Power Company run a distance of about 31 miles?—A. Yes.

By Hon. Mr. Dandurand:

Q. And although there is a shrine on the way, the line is in the red—A. Yes.

I think we might clean up next the Lake St. John line. That line running up into the Lake St. John territory is an essential public utility for that community up there. It serves the pulp and paper industries and it serves the big aluminum industry up there. But unfortunately owing to water competition and to the fact that the grades on the line getting in and out of Lake St. John territory are very steep, the revenues per ton mile are low and the expenses per ton mile are high, so the net result is that it comes out at a loss, although there is a large volume of traffic moving in and out.

Q. What about the community?—A. There are 106,000 people in there. And I notice the value of manufactured products is \$23,000,000 a year in that territory.

By Hon. Mr. Parent:

Q. What do you mean by territory?—A. The Lake St. John territory.

Q. The Arvida Company is there?—A. Well, that does not include that company, because they will not publish their figures. But for those industries whose figures are published the production amounts to \$23,000,000. And plus the Arvida, there is 920,000 installed electric horsepower up in that territory, and the capital invested in the territory is \$80,000,000, excluding the aluminum works.

Q. Which represents quite an amount?—A. It would probably represent, I suppose, another \$10,000,000.

Q. At least, yes.—A. Now, the next line that attention might perhaps be called to is the red line that runs south of the St. Lawrence river—

By Hon. Mr. Hardy:

Q. Is there any truck competition up there at all?—A. Yes, it is intense. We made a new development in that Lake St. John territory, and I think perhaps you would be interested to know about it. The province of Quebec built a highway from the Lake St. John territory, a shortcut, down through—

By Hon. Mr. Parent:

Q. Down through St. Germain and following the St. Lawrence river down to the city of Quebec?—A. Yes. It shortens the distance into the Lake St. John territory by about 60 miles, as compared with the rail route.

By Hon. Mr. McRae:

Q. That is a good motor route too, is it not?—A. Well, it will be eventually. It is not so good now. What I am leading to is this. We went to the Public Service Commission of Quebec and said to them: Now, that territory

in the Lake St. John district is absolutely dependent upon the railway for its service in winter-time, and we do not think it should be exposed to bus competition on these routes in summer-time. And we gave our reasons. And the Public Service Commission of Quebec refused to grant bus franchises to competitors over that route, which I think was a very co-operative thing for them to do. We on our part undertook to operate a bus service if they would grant us a permit, and we have an application in now for a permit to operate a bus from the Lake St. John territory down to Quebec. We will co-ordinate that bus service with our rail service so as to give a better all-round service than they have at the present time, and the net revenue will continue to the system.

By Hon. Mr. Parent:

Q. Is it the intention of the railway company to operate that itself or through a subsidiary?—A. We operate through a subsidiary. We have to, because we have not the charter power to operate ourselves. But we have a subsidiary company which has charter rights and we propose to operate under that name, but it will be a Canadian National Railway system operation.

By Hon. Mr. McRae:

Q. The result of that will not be to add to the net of the two operations, will it?—A. Yes, I think so, slightly, because we will be able to co-ordinate the services and we will be able to carry on the bus and rail service perhaps a little cheaper than otherwise. And certainly we are immeasurably better off than we would have been, exposed to competition.

And now, I was speaking of those various miscellaneous red lines running south of the St. Lawrence river. I do not think they need any comment. If anybody asks about them, I shall be pleased to explain.

By Hon. Mr. Dandurand:

Q. Are they a continuation of the Intercolonial?—A. No. The Intercolonial is the green line running from Quebec down to Ste. Rosalie and then joining the old Grand Trunk and running into Montreal.

By Hon. Mr. Parent:

Q. That is the line that goes through Drummondville?—A. Yes.

Q. And Ste. Hyacinthe?—A. Yes. That is a profitable line.

Now, moving over to the north side of the St. Lawrence, you will notice a yellow line. That is the old line of the Canadian Northern, and it pays its operating expenses. The red lines lying north of the Ottawa river are in process of being abandoned. They are definitely unprofitable. A portion of those lines, namely from Joliette through to Lachute, it is proposed to abandon. The line running up into the Laurentian mountains it is not proposed to abandon. It loses money, but it is the only means of communication to the people up in the mountains in the winter time.

By Hon. Mr. Hugessen:

Q. Does that lose much money, Mr. Fairweather?—A. A fair amount.

By Hon. Mr. Horsey:

Q. Is that the Maniwaki line?—A. No. That line runs up to Lac Remi. Incidentally, at Lac Remi there is a deposit of china clay and silica, which could not be developed without the service rendered by this line.

[Mr. S. W. Fairweather.]

By Hon. Mr. Hugessen:

Q. How about the winter ski traffic on that line?—A. The ski traffic on that line has developed quite a bit, and of course it helps out, but it is seasonal business. It is very welcome, but it is not enough to swing the line from red to yellow—not yet; it may eventually.

The next line I should like to call attention to in Quebec would be the line of the National Transcontinental which runs along from Garneau junction over as far as Nakina. That line, as you all know, is a colonization line. It serves the mining development in the north country and the pulp and paper mills and the settlement in the clay belt, but it simply has not enough traffic to make it pay, although it certainly is one of the most promising lines we have looking to the development of the country.

By Hon. Mr. Hardy:

Q. How many miles are there there?—A. 838 miles.

By Hon. Mr. McRae:

Q. How far short of paying operating expenses does it fall?—A. At the present time it is losing about half a million dollars a year in operation. It is entirely likely, in my opinion, that that line will turn yellow and then green.

Q. It is pretty promising.—A. Distinctly promising.

We swing down now into Ontario. Coming west, I would draw your attention to the line from Hawkesbury to Hurdman. Hurdman is right outside Ottawa, and Hawkesbury is a town half-way between here and Montreal. We applied to the Board of Railway Commissioners to abandon that line on account of its loss, and we were turned down. They refused to allow the line to be abandoned.

Q. What is the mileage?—A. It is about sixty miles.

By Hon. Mr. Buchanan:

Q. Is there any other railroad in that area?—A. No, except that at Hawkesbury there is a line that connects Hawkesbury across to our line, and the Canadian Pacific runs a bus service from Vankleek Hill over to Hawkesbury; but that is the only railway facility.

By Hon. Mr. Hugessen:

Q. It is quite close to the C.P.R. line?—A. No; it may be anywhere from six to fifteen miles.

By Hon. Mr. Hardy:

Q. Is there a heavy loss on that short line from Hawkesbury to Ottawa?—A. I can look it up, sir.

I may say the management has under consideration a reapplication to the Board of Transport Commissioners for provision to abandon that line. We are thinking of going back to them and asking them to reconsider their decision.

Q. Never mind looking that up if it will take any time.

By Hon. Mr. Hugessen:

Q. You have had one or two instances where first the application was refused and later granted?—A. Yes. There is a little line down in the Eastern Townships, and we went to the Board of Railway Commissioners for permission to abandon it. They turned us down. We went back last year, and they granted us permission.

The next line to which attention might be drawn is the line from Ottawa running through to Depot Harbour. That is the old Canada Atlantic Railway, and in its day it carried a lot of grain and lumber. The lumber is largely cut off now, and the grain is not moving that way. As a result the line is operated at a loss.

By Hon. Mr. Dandurand:

Q. Is there an important community along that line?—A. It is the railway access into the Algonquin Park, the national park. It does serve the Upper Madawaska valley from Golden Lake upward. There are a number of communities in there, not very large, all based on lumbering operations. I have not the details of population, but generally speaking it is the sort of settlement you find in a lumbering country.

By Hon. Mr. Parent:

Q. Does the C.P.R. serve the same country?—A. No.

By Hon. Mr. McRae:

Q. There is not much hope of improvement there?—A. Not until you get a second lot of lumber.

I may say in regard to that line that negotiations are under way with the Canadian Pacific to abandon a portion of it. When I was asked whether there was any Canadian Pacific line in the territory, I was speaking of the territory west of Golden Lake; but around Golden Lake there is a duplication of facilities, with respect to which the Canadian Pacific and we are attempting to work out an arrangement whereby one line will serve the territory.

I think we had better clean up the red lines. You will notice a number of lines in the centre of Ontario lying north of Peterborough and Belleville. Those lines are, properly speaking, either a part of the through route to the Georgian Bay ports, which have been seriously affected by the Welland canal—when the Welland canal was built the grain traffic dried up on that cross line—or are lumbering and colonization lines very closely resembling the Canada Atlantic.

When you move west from Toronto you find all of the branch lines which lie north of the Canadian National main line are being operated at a loss. That is almost entirely due to highway competition. That is the most aggressive field for highway competition in Canada, and, as I explained before, the truck operators leave the railway to carry two classes of traffic, one is what is known as "wind" among the transportation people—that is extremely light and bulky traffic which is not suitable for truck transport—and the other class is the extremely heavy, bulky traffic that moves on a low rate. They leave those two classes of traffic to the railway, and ship the high-class package by truck. The result is those lines which previously were profitable have become red.

Q. All the red lines in Ontario fall short of paying operating costs?—A. Yes, roughly.

Q. This map is very depressing; it shows all our old railway lines in the red.—A. I think it is a temporary condition, sir. I frankly feel that when economic forces work themselves out the dominance of the railway is going to come back again. It is a temporary condition due to a revolution that is in process. The conditions under which the trucks operate, unregulated as it is and with wages and rates on an entirely unorganized basis, and things of that character, produce a situation that, taken in conjunction with our present rate structure, creates an artificial condition. After all, we have records of men

[Mr. S. W. Fairweather.]

working on trucks on a declared wage of less than 10 cents an hour, and then not getting paid. Naturally, no railway can live against competition like that, and yet I think we all feel that in the long run competition of that kind has to vanish; it cannot continue. No man is going to work for wages like that when he can get other work.

Your question, Senator, was how much loss there was on the red lines in Ontario?

Q. Yes.—A. I am sorry, I have not got the information assembled in that way.

Q. It is certainly very substantial, and the distressing part, as I see it, is that the loss is on the old lines in the well-settled and fully developed portions of the country. Competition is the cause, is it not?—A. Yes. I think it is a temporary condition to some extent.

Hon. Mr. HAIG: I must dissent from that view.

By Hon. Mr. Buchanan:

Q. Is there not competition throughout the whole year in a good deal of that Ontario territory?—A. Yes.

Q. The same conditions that apply in the East would not apply there?—A. No, not there. In southwest Ontario in the average year they are able to operate trucks nearly continuously. Of course, they run into storms that tie up the trucks, and when they do there is a flood of traffic to the railway.

By Hon. Mr. Dandurand:

Q. Would you call those lines in Ontario short-haul lines?—A. Yes, sir.

Q. The short-haul lines in the organization of the rate system represent quite a high rate compared with the long-haul lines?—A. Yes, sir.

Q. So that your competition comes from short-haul road competition?—A. Yes, sir.

Q. Which would reduce your profits easily because you are standing pretty high in your freight rates?—A. That is correct, sir.

Q. That is why you have so many of those short-haul lines in the red?—A. Yes, sir.

Q. Because you were caught with competition from the trucks, which would fix rates much lower than those of your own rails in the short hauls?—A. Yes, sir.

Q. And your short-haul rates were mostly carrying the cost of the long haul?—A. You have it exactly, sir.

By Hon. Mr. Robinson:

Q. Is it largely because the trucks pay lower wages?—A. I think that is one of the main factors; that and the fact that they do not pay adequately for the use of the highways.

By Hon. Mr. McRae:

Q. And you would not overlook the advantage they enjoy in collecting and delivering?—A. Yes.

By Hon. Mr. Horsey:

Q. Is the agreed charge going to help you?—A. Oh, yes. I am a believer in the agreed charge.

Q. It won't help you very much in southwestern Ontario?—A. I think it will. If you go to a manufacturer or merchant and offer to carry all his goods throughout the whole year, and all over Canada, it is quite a thing.

I may say that a very interesting article on agreed charges appears in the *Railway Age*, showing the development in England. It might be interesting to the Committee if I left it with the secretary.

By the Chairman (Hon. Mr. Beaubien):

Q. Are the agreed charges in force now?—A. Oh, yes. We haven't actually consummated any agreements, but the railways are working at it and making decided progress.

By Hon. Mr. McRae:

Q. Would you call it decided progress after a year?—A. When you have a revolutionary principle in rate making, you have to be careful.

By the Chairman (Hon. Mr. Beaubien):

Q. Have any agreements been consummated?—A. I do not think so, but they are very close to it.

By Hon. Mr. Black:

Q. Is it a fact that individual firms are more and more using their own fleets of trucks to distribute their goods and pick them up?—A. They cannot do a complete job, but they are chiselling in where the railway rate is high. They will handle that traffic and expect the railway to handle low-grade traffic at the lower rate.

Q. They are finding it convenient to do this?—A. Sure, and finding it apparently economical, but only apparently.

Q. I have had some little experience, not a great deal.—A. The agreed charge will be of help there.

By Hon. Mr. Buchanan:

Q. That section of Ontario has a lot of good highways?—A. Yes, sir.

Q. But you could not cut out these railroad branch lines in many cases because in a town like Kincardine, for instance, with a large furniture industry you say they have to have a railroad system to carry the freight?—A. You are quite right.

Q. Is not that the case in many towns in Ontario?—A. It is true in almost every case.

Q. There are some sections where that would not be the case?—A. There are some sections. The Canadian National Railways reviewed this whole section and selected 659 miles in Canada that we thought could be abandoned without the difficulty you mention. We applied to the Board of Transport Commissioners and got permission to abandon 351 miles. The Board denied 30 miles. They said public convenience and necessity required that they be operated.

By Hon. Mr. Parent:

Q. When did you get that permission?—A. This is over a period of about three years, and I am bringing the thing up to date. We are, as I say, considering re-applying for 57 miles.

By Hon. Mr. Buchanan:

Q. These lines are losing money, but their abandonment might destroy an industry?—A. Oh, decidedly, sir. It would have a serious effect.

[Mr. S. W. Fairweather.]

By Right Hon. Mr. Meighen:

Q. What industry is there that cannot ship its products by truck, where there are good roads?—A. It can ship its products by truck partly, but when it is trying to move things like coal and iron—

Q. There is none of that at Kincardine. Can you tell me of a furniture factory there that is running to-day?—A. Well, I am not familiar with Kincardine, but I am certain there is traffic coming in and out of every one of those towns.

Q. I do not think there is a factory running there, and if it were it would be using trucks anyway.—A. Well, with all due deference to you, Senator Meighen, I do not think the industries could operate without a railway.

By Hon. Mr. Hugessen:

Q. What you mean is that they might very well ship their furniture to Toronto, but they could not ship it to Winnipeg?—A. Quite right, sir, and they could not get their raw products in there economically.

Right Hon. Mr. MEIGHEN: If you see a future for these short lines in Ontario, I do not. I think it is a pure illusion.

Hon. Mr. DANDURAND: They can therefore be abandoned.

Right Hon. Mr. MEIGHEN: That is another question. The condition is artificial, he says. And when railway rates are up will the burden on the people be less?

By Hon. Mr. Dandurand:

Q. Proceed Mr. Fairweather.—A. I think that pretty well disposes of the red lines in old Ontario.

By Hon. Mr. Parent:

Q. As to these red lines you have spoken about in Ontario, is the C.P.R. in the same condition?—A. I would not be in a position to say. I imagine their condition is somewhat similar to ours, but that would be only surmise.

Right Hon. Mr. MEIGHEN: Just about the same.

By Hon. Mr. Parent:

Q. Have they as many lines as you have?—A. No.

Now I direct attention to the green lines in Ontario, which consist of the main line down through Toronto and Sarnia, and to Windsor and to Niagara Falls. Then there are the yellow lines, which pay their operating expenses, and there is the old line of the Canadian Northern from Ottawa to Capreol, the Grand Trunk from Toronto to North Bay and the line of the Canadian Northern from Ottawa down to Napanee. There is also a yellow line down in southwestern Ontario. It was part of the old Buffalo and Lake Erie. The only other green line, which I omitted, is the line through the Niagara Peninsula. The reason it happens to be green is that it is operated under trackage rights with the Wabash, and that is a very beneficial arrangement.

Then going to northern Ontario, the two yellow lines that combine at Capreol turn the old line of the Canadian Northern green up as far as Long Lac cut-off. Then it takes the Long Lac cut-off to join the National Transcontinental, and it is green into Winnipeg. The line from Nipigon to Long Lac is red, but that goes through territory with considerable promise.

By Hon. Mr. McRae:

Q. That must be improving every year?—A. That line in my opinion will develop.

Then there is a yellow line, the Lake Superior cut-off. The reason for that is the grain flowing down over it. It also has, I should say, considerable promise in a long-term view. The old line of the Canadian Northern from the lakehead to Winnipeg also pays.

By Hon. Mr. Buchanan:

Q. Because of grain?—A. Largely.

By Hon. Mr. Robinson:

Q. I thought grain was hauled at a loss?—A. Not on the main line; besides, in addition to grain, everything going to or coming from the West travels over these lines.

Now, I think the situation in the Prairies can be rather generalized by saying that the lines out there are granger lines—that is, that serve farming territory. They are almost uniformly in the red. The reason for that is their low traffic density and highway competition—the two taken together.

I would draw particular attention to the line up to the Flin Flon, which is a development line 132 miles in length, from near The Pas to the Flin Flon and Sherritt-Gordon mines. That is operating in the red, but it is serving a new mineral development at Flin Flon and Sherritt Gordon, which naturally produce a good deal of revenue, and which could not exist without the railway. I think that eventually that line will turn into the yellow group at least.

You will notice that the main line through to Edmonton is green, and you will notice that the old main line of the Canadian Northern is yellow; then it continues on into Calgary.

By Hon. Mr. Parent:

Q. Would you consider that the long line which is green is just green because it is fed by all the red lines up there?—A. That is true.

Q. So without the red lines the green line would not be a paying proposition?—A. That is true. You cannot have a railway system without branch lines—you cannot have a main line.

By Right Hon. Mr. Meighen:

Q. You have the Hudson Bay line marked black?—A. That is not part of the Canadian National system.

Q. Is the Intercolonial part?—A. Yes, it is part of the Canadian National for operation and administration.

Q. Is not the Hudson Bay?—A. No, sir. It was turned back to the Government, and the Canadian National operates it as the agent of the Government.

Q. So the losses here do not include the Hudson Bay?—A. No.

Q. Where do you end the Hudson Bay Railway?—A. It ends at The Pas.

Q. That is joining a red line?—A. Up a little further. The Hudson Bay is the black line.

By Hon. Mr. Haig:

Q. It is a profitable line?—A. You say so.

By Hon. Mr. Black:

Q. How much did it lose last year?—A. The Hudson Bay?

Q. Yes.—A. I wouldn't say. It is in the Department of Transport report. And now, when you get to Edmonton you will notice the green line end and becomes yellow from there down into Vancouver. That yellow is largely the result of the high fixed charges on that line, because it is mountain con-

[Mr. S. W. Fairweather.]

struction. I do not know that anything else requires comment, except the red line from Red Pass Junction out to Prince Rupert. That line is 676 miles in length, and it serves a population of 35,000.

By Hon. Mr. McRae:

Q. Can you give us the amount that falls short of paying its way?—

A. About a million-and-a-half on operating, and about \$3,000,000 if fixed charges are included.

Q. That is, \$3,000,000 in all?—A. In all.

Q. There are two other red lines in British Columbia. One is from Kamloops, running southeast to Vernon. That is not operated at all, is it?—A. Yes, it is operated down to the Okanagan Valley.

Q. Does it go into Kelowna?—A. Yes, but it does not go south of that.

Q. That must be a substantial loser. From Vernon there is another road. Could you not abandon the section from Kamloops to Vernon without any hardship to the service?—A. That was looked into last year, and I think we gave evidence of some co-operative effort to abandon the line.

By Hon. Mr. Haig:

Q. Aren't you abandoning some lines in Manitoba?—A. Yes, there are some.

By Hon. Mr. McRae:

Q. The line from Victoria to Cowichan is not in operation, is it?—A. Yes, that is in operation.

Q. I do not think you run any trains out of Victoria?—A. Yes. There is a lumbering operation there.

Q. A good deal of the rail on that line is rusty. I do not see why the line should not have been torn up years ago. In fact, it never should have been built, and certainly it ought to be abandoned. The Canadian Pacific are to-day running a bus line to maintain some of the traffic. It is a sorry situation. On that line I do not think you have any trains running at all, or at least very few. You do take some logs out from the lakes to Duncan, but I think the steel should be taken up there and used some place where it is useful. Surely the Transport Commission would give you a permit to abandon that line?—A. We considered it at one time very carefully.

By Hon. Mr. Dandurand:

Q. How much mileage is there?—

Hon. Mr. McRAE: It should have been taken up years ago. I am speaking of something that I happen to see many times a week.

The WITNESS: You are speaking of what line?

By Hon. Mr. McRae:

Q. From Victoria up to Duncan, that line there on the Island. You do some logging up there on the line that comes out of Duncan, but the other part is less useful than the fifth wheel on a wagon.—A. There are about 82 miles in there.

Q. You agree with what I say, do you not?—A. It was very carefully looked into sir, and I know it was what we called a marginal case.

Q. It is not marginal. It is as dead as Julius Caesar?—A. We certainly would be looking to look at it again.

Q. If you needed rails any place else I should think you would have taken up that road ten years ago.

By Hon. Mr. Dandurand:

Q. What population is it serving? What services is it rendering?—A. It is rendering service to the lumbering industry up there.

Hon. Mr. McRAE: Not in that section. There are no mills up there. You do run a service on the upper end of it, which is purely a logging road. As to the other section, the Canadian Pacific runs a service down there and there is not a corporal's guard on the whole train. The buses are doing the whole business.

The WITNESS: We do not operate a passenger service. It is operated for the logging.

Hon. Mr. McRAE: That is the upper end of it.

The WITNESS: We also haul lumber down on the other part.

Hon. Mr. McRAE: That is just a small affair.

Hon. Mr. DANDURAND: Is the Canadian Pacific running alongside?—

Hon. Mr. McRAE: Yes. And the Canadian Pacific are not doing any business. The buses and the lorries are doing the business. As far as the railways are concerned, it is just a washout.

Hon. Mr. PARENT: So both lines could disappear there?

Hon. Mr. McRAE: It would not hurt any if both disappeared there.

By Hon. Mr. Dandurand:

Q. Why is the Canadian National maintaining that line?—A. As I say, we are willing to look at it again. We did look at it carefully, and with the information we had at that time it did not seem feasible to abandon the line. Naturally, these things are all a matter of judgment. At the time we examined it we said that it did not seem feasible to abandon it. I do submit that when we pick out 700 miles of line for abandonment and go to the Board of Transport Commissioners and they give permission to abandon half of it, at least it indicates that we were examining the thing pretty thoroughly. We suggested 700 miles and the Board said about half of that. With regard to this particular line it was our judgment that it could not justifiably be abandoned. We will look at it again.

Q. Is that territory covered nearby by the Canadian Pacific line?—A. Part of it is and part of it is not.

Hon. Mr. McRAE: The section that we have been discussing, which is not the logging road, is fully covered, that is the section from Duncan down to Victoria. They do not run traffic enough to keep the rust off the rails. There is no regular service over that line. I mention this not so much for the importance of the line itself but to show the failure to take advantage of a situation. The Transport Commission certainly should have permitted the abandonment of that line. It never should have been built at all. I know how it happened to be built. It was never of any use when it was first built and it has never been of any use.

Hon. Mr. DANDURAND: There are no passenger trains?

Hon. Mr. McRAE: No. The buses take all the passenger business. The buses are much faster than the railway, because the railway has some bad grades. I am satisfied that if we could have the figures for that section we should see there is no justification for maintaining it and never was any justification for maintaining it from the time it was built, which is some twenty odd years ago. What I am saying does not apply to the little section that runs up along Cowichan lake, which does a logging business. In time that will get into exactly the same position as the rest, but at the present time it is not.

[Mr. S. W. Fairweather.]

By Hon. Mr. Dandurand:

Q. What does it represent in mileage?—A. I do not know how far they have gone around the lake.

Hon. Mr. McRAE: There are 82 miles from Duncan down to Victoria. If they haul any lumber down there it is for competitive purposes, and I venture to say they do not make a red cent on it. And they must maintain the line.

By Hon. Mr. Sinclair:

Q. How much loss have you on that line, Mr. Fairweather?

Hon. Mr. McRAE: To get the strict accounting of the loss you should have it divided with regard to the logging camps down to Duncan's Bay and then showing the loss from Duncan's Bay on the 82 miles into Victoria. That is all loss.

The WITNESS: I have not got that segregated here. I treated it as a whole.

By Hon. Mr. McRae:

Q. What is the amount on the whole of it?—A. The whole, including fixed charges, on the Island, everything on the Island, is about half a million a year, including fixed charges.

Q. That is nothing short of scandalous.—A. That includes fixed charges.

By the Chairman (Hon. Mr. Beaubien):

Q. What is your total mileage there?—A. The total mileage is 89 miles. Of course, that includes fixed charges.

By Hon. Mr. McRae:

Q. I realize that. You cannot get away from the fixed charges, but you could take up the steel and use it somewhere else.—A. I would not want the impression left that you would get a saving of \$500,000 by abandonment there.

By Hon. Mr. Robinson:

Q. What are the fixed charges?—A. \$200,000 against that particular line.

Hon. Mr. McRAE: Then there is \$300,000 loss on that. That is just scandalous. I could operate the logging section and make some money, but the other part is just scrap. There is not enough business there to keep the rust off the rails.

By Hon. Mr. Sinclair:

Q. Mr. Fairweather, in answer to Senator Black a little while ago you referred to the apparently uneconomic operation of trucks as one of the competing factors. Have you made any study of the operation of trucks and what would have to be considered from the point of view of replacement on a proper economic basis?—A. Yes, I have made studies like that.

Q. What difference would it make if the trucks were operated on the same basis as the railways?—A. It would mean a very considerable increase. You see, the very first thing you would have to consider is the deficit on highway construction, which runs in this country, I imagine, pretty close to \$50,000,000 or \$60,000,000 a year, which we are not collecting on our highway bill.

Q. You operate a pick-up and delivery truck service?—A. Yes.

Q. How do you come out on that service?—A. Well, that is really added service that we have to give to meet highway competition. It is just a bill of expense with us. We are giving service which we did not give before.

By the Chairman (Hon. Mr. Beaubien):

Q. Do you not get returns that you did not get before?—A. No. We have to absorb that.

By Hon. Mr. McRae:

Q. Reverting to that Kamloops-Vernon line, what is the length of that, about 80 miles?—A. I think about 100 miles.

Q. You do not run any passenger service on that?—A. There is a mixed service.

Q. How frequent a service, tri-weekly?—A. Of course, you are getting into details now that it is hard for me to answer. I think there is a daily service.

Q. It seems to me that if there had been any co-operation at all that line should have been abandoned. The Canadian Pacific has a line out there serving that district, and there are only a few ranches in the territory. I am familiar with that section of the province, and I repeat that the line in question never should have been built.—A. It is 116 miles.

Q. What is the loss on that?—A. The loss on that particular line is about \$90,000 a year.

Q. That takes the revenue you get out of Kelowna?—A. Yes.

Q. Which could be diverted?—A. If you abandoned that particular line, all traffic going to Vancouver would have to go around by Sicamous.

Q. That would not make much difference.—A. It is a long, roundabout route.

By Hon. Mr. Horsey:

Q. Do any of the provinces regulate trucks in a fair manner competitive with the railways? How do they differ?—A. Each province has its own system of regulation. They all attempt to regulate and license trucks, and they have enacted laws for the purpose, but speaking as a railway man I do not think it is fair, and I do not think the regulations are properly policed.

Q. Even the regulations that exist now?—A. No, I do not.

By Hon. Mr. McRae:

Q. I have one question which I think is interesting from the competitive services standpoint. I am told big trucks take whitefish from Lake Winnipeg to Chicago, which used to be a very profitable source of traffic to the railway. Are you familiar with that?—A. We have a record of one man who undertook to truck fish from Winnipeg through to New York in refrigerated trucks. He undercut the express rate by the Canadian National and connecting lines, and he operated for a little while. He was able to do it because under the Interstate Commerce Commission regulations anybody hauling agricultural or fish products does not need a licence. He would truck fish down to New York and then would wild-cat back, that is, he would fill his truck with anything he could get on his way back.

Q. What would be the tonnage of those trucks?—A. I think they were ten-ton trucks.

Q. They say they are as big as a box-car.—A. Speaking on that point, sir, I think the State of Illinois appointed a commission of engineers to report on the damage done to the highway by these terrifically big vehicles. The report of that commission makes wonderfully interesting reading. These facts eventually are going to find expression in proper regulations, which will prohibit movements of that kind. Again, a movement like that, sir, is an artificial movement in this sense, that the actual cost of the movement by railway would be only a fraction of the cost of the movement by truck, but naturally the railway was charging the value of the service performed, and was making a handsome profit on this express fish movement. As long as the man could take a box-car and put it on the highway and operate it on a basis that was grossly unfair, so far as taxation is concerned, naturally he could operate. This particular man who operated to New York could not; he just pushed it a little too far and went bankrupt. To Chicago I think a man could do it, but it is an artificial condition.

[Mr. S. W. Fairweather.]

Q. Along the same lines, Mr. Fairweather, I was told that at least one dealer in motor-cars in Regina takes his cars on their own wheels from Detroit to Regina?—A. That is true, and everybody that bought one—

Q. It just shows how far this whole thing has gone.

By Hon. Mr. Buchanan:

Q. That is a common thing. A man goes to Windsor or Oshawa and drives his car home.—A. Yes.

By Hon. Mr. McRae:

Q. They run these special carriers with a capacity of four motor-cars from their assembling centres. The railways are used no more for that traffic.—A. When you say they do not use the railways any more, Senator, I think that is not correct.

Q. I should qualify that. They use them more for the finished cars than they do for the assembling of cars, I would say. From what I see it is apparent that a great portion of the finished cars go out from the distributing centres.—A portion does, but not by any means all. The Grand Trunk railway in the United States runs right through the heart of the automobile territory, and we are the largest automobile originating railway in that territory. We still originate an enormous number of automobile loads, but I am willing to say that in order to meet competition we have had to cut rates and adopt expensive practices. But the battle is not altogether lost by a long way. I want to make that clear.

Q. Speaking of your American railroads, Mr. Fairweather, what is the loss on the American section of the Canadian National system?—A. In 1937?

Q. Yes.

Hon. Mr. HAIG: About \$7,000,000.

Right Hon. Mr. MEIGHEN: No. That includes hotels and other things.

The WITNESS: About \$3,500,000.

By Hon. Mr. McRae:

Q. That includes—A. Interest.

Q. On operating would you break even?—A. I think they do—yes, they produce an operating profit.

By Hon. Mr. Parent:

Q. What mileage does it mean?—A. I think 1,700 miles in the States.

Hon. Mr. McRae: Mr. Chairman, I want to compliment Mr. Fairweather on the information he has given us. It is very valuable, and for me at least, he has given a complete picture which it has been well worth while to get.

By Hon. Mr. Dandurand:

Q. Mr. Fairweather, you passed somewhat rapidly over Manitoba, Saskatchewan and Alberta. I see quite a number of branch lines on the map in that territory, nearly all in the red. Have each of them been tested as to the opportunity of maintaining them as railway feeders, or substituting for them truck business as a policy of economy? Looking at those lines in Manitoba, for example, are there a certain number that could be abandoned, or that you have studied for abandonment and submitted to the Transport Board?—A. Yes, sir, studies of that kind were of two natures. First, a study of our own thin traffic lines. We tested every one of them to see whether, having regard for the loss which has been incurred and the services rendered, an application to the Board of Transport Commissioners would be justified. Wherever it came out that in our judgment an application was justified, we made it.

The other method of approach was co-operation with the Canadian Pacific. We examined all the lines in Western Canada—as a matter of fact some of them are under study right now—to see whether or not the two railways in combination would not be in a position to effect economy by certain eliminations. Perhaps, Mr. Ferguson, you will go to the map and point out the lines in Manitoba that are being considered for abandonment.

Q. Senator Haig could follow you closely in respect to Manitoba lines.

Hon. Mr. McRAE: I think the senator has been negligent in not taking up the matter sooner instead of leaving his province to you, sir.

The WITNESS: There is a line from Portage la Prairie to Delta, 14½ miles long, which it is proposed to abandon.

Q. Where do you tie in that line going around the lake?—A. The next line is from Oakland to Cawdor, 11½ miles. That is proposed for abandonment.

Then there is the 10 miles from Muir to Gladstone.

By Hon. Mr. Dandurand:

Q. That is in the yellow.—A. That does not make any difference. If we can economize by abandonment we abandon. It so happens the Canadian Pacific line can do the work there.

The next Canadian National line is Hallboro to Beulah, 75 miles.

Q. What distance is it from your main line? I see it is running parallel.

Hon. Mr. HAIG: About 20 miles.

By Hon. Mr. McRae:

Q. There is a railway between.—A. Yes, the Canadian Pacific.

Hon. Mr. DANDURAND: That is some service.

Hon. Mr. McRAE: A very poor service.

The WITNESS: We have had communications from the community. They are not at all happy about the line being abandoned. That is all of our lines in Manitoba.

By Hon. Mr. Haig:

Q. What about down here near the bottom?—A. Yes. Louise to Deloraine is also down for abandonment.

By Hon. Mr. Dandurand:

Q. How many miles?—A. Fifty-six miles. Those are the lines that have been agreed to between the Canadian National. There are other Canadian Pacific lines in Manitoba which serve co-operatively. They are mentioned in the Canadian National report, and I might as well call them out.

By Hon. Mr. Haig:

Q. I should like to ask you one question. What does that line pay from there to there?

Hon. Mr. DANDURAND: Would you give the points Senator?

By Hon. Mr. Haig:

Q. From Winnipeg to Gypsumville. I mention it because I know there are two trucks operating up that line. Application was made less than three months ago for two more to operate, and they justified their application to the Utilities Board.—A. Well, the Utilities Board gave them a licence. That is the more correct way of putting it.

Q. They did.—A. We know about that truck competition.

Q. What is the loss?—A. It is \$150,000. We would not save that if we abandoned it. There are \$160,000 fixed charges on that line.

[Mr. S. W. Fairweather.]

By Hon. Mr. Dandurand:

Q. You were going to speak of the C.P.R. lines?—A. I happen to have that information here in the annual report. The Canadian Pacific line from McGregor to Varcoe, fifty-four miles.

By Hon. Mr. Haig:

Q. That is being abandoned?—A. It is down for application to the Board of Transport Commissioners.

Then there is another Canadian Pacific line from Hamiota to Miniota, 19·8 miles.

That is all in Manitoba that I recall. Are there any more?

By Hon. Mr. McRae:

Q. What about this south line down here? Has it cost much?—A. You can see it is red.

Q. I know it is red. It is the line from Emerson to South Junction. It was not any good when it was built.—A. \$41,000.

Q. How many miles?—A. Oh, I guess about seventy odd miles.

Q. \$41,000 on operating?—A. Yes.

By Hon. Mr. Robinson:

Q. How much would be the fixed charges on that?—A. \$60,000.

Q. So if you stopped operating you would lose \$20,000?—A. That \$40,000 is operating; but even if you stopped operating you would not save all.

Hon. Mr. HAIG: The Dominion Government and the Provincial Government are building a highway down to Sprague, which will cut into you again.

Hon. Mr. DANDURAND: From Winnipeg to what point?

Hon. Mr. HAIG: Sprague.

Hon. Mr. McRAE: And it is pretty well parallel to the railway too.

By Hon. Mr. Dandurand:

Q. Passing from Manitoba to Saskatchewan, and looking at the lines there, are they all needed as feeders?—A. Well, in Saskatchewan there is a considerable mileage which has been proposed for abandonment co-operatively with the Canadian Pacific Railway. The details have already been supplied to this Committee. I believe they are in one of the exhibits. They have all been listed.

By Mr. Biggar:

Q. Is that the exhibit at page 122 of last year's proceedings?—A. I do not know the page, but we gave all that last year. The information I gave just now is as to new lines co-operatively agreed for abandonment since last year, but there were 637 miles, I think, previously agreed upon, and quite a percentage of that was in Saskatchewan.

Q. The particulars up to last year are all dealt with in Exhibit No. 29, at pages 116 and following.

By Hon. Mr. Robinson:

Q. What progress has been made since last year in co-operation?

Hon. Mr. DANDURAND: I thought, senator, this matter would be taken up at another meeting.

By Hon. Mr. Black:

Q. You mentioned one line in Nova Scotia that you had agreed to abandon. Have you considered any further abandonments in New Brunswick?—A. Co-operatively?

Q. Yes.—A. No.

Q. Independently?—A. Well, we made a survey of the lines in New Brunswick and made application to the Board of Transport Commissioners, and were refused permission.

By Hon. Mr. Hugessen:

Q. That is since last year?—A. No, not since last year, but the situation has been reviewed as to the possibility of making a fresh application.

By Right Hon. Mr. Meighen:

Q. Can you tell us, of all these red lines, the total mileage that has been acquired since 1921, or, for that matter, since the Canadian National Railways Company was formed?—A. I couldn't offhand.

Q. There was none, I know, at the beginning of 1922, but I should like to get that total.—A. I can prepare a statement of that, sir.

Q. It is only one figure.—A. I could prepare it, but I could not give it now.

By Hon. Mr. Buchanan:

Q. Have you information on the Northern Alberta Railway?—A. The C.N. proportion was \$621,000.

Q. On the Waterways and Peace River?—A. Yes.

Q. The Waterways is the heaviest loser?—A. They are all lumped together.

Q. That is not included in this statement here?—A. Oh, no. That is a separate matter. I may say, however, while we are at that, that we made a co-operative study with the Northern Alberta Railway and reached an agreement with them that 41 miles of line could be abandoned as between the Canadian National and the Northern Alberta. On the Canadian National Railway from a point called Trelle to Morinville, 12 miles is proposed for abandonment; and on the Northern Alberta Railways, from Carbondale to Egremont, 30 miles is proposed for abandonment.

By Hon. Mr. McRae:

Q. There is one opinion I would like to have from Mr. Fairweather. He has got his end of the business in very efficient shape, and has presented it very efficiently. I know he has given thought to this. It must be obvious to all of us that there must be some radical re-adjustment of these red lines if we hope to bring them back even into the yellow group. I want to ask Mr. Fairweather if, in his opinion, there is some promise of working it out in that way?—A. You said it was not in my field. I rather think it is. That is one of the research problems the railways are facing. Frankly, I think the railway can go a considerable distance towards modifying its methods of operation on its thin traffic lines. It will need a good deal of co-operative study with labour, and intelligent and scientific study by the railway staff. It will also need the goodwill of the community. I think one of the things that is deplorable is the lack of understanding on the part of a community of the value of the railway until it has lost it. I think, however, and I am quite sincere in this, that the revolution that has been brought about in the art of transport by highway competition does not spell the doom of the railway. It is still by long odds the cheapest kind of land transport. A man applying his labour on the steel rails can produce from five to ten times as much transportation as the same man can produce riding on rubber on the highway, and as long as you have that fundamental condition existing you can never convince me that the railway as a medium of transport is obsolete. It is still the cheapest form of land transport. That the railway will have to go to great lengths to adapt

[Mr. S. W. Fairweather.]

itself to changed conditions is true. There has to be a new concept of the relationship between a railway and the community it serves, a new concept of the manner in which service will be rendered by scientific methods on the thin traffic lines.

Q. There is some progress being made in the United States along that line now?—A. There are experiments being made, and there have been experiments on the Canadian National, I am hopeful this will continue, and I have the confident expectation that we have just about reached the nadir of this highway-railway competition. I think that with agreed charges, and with the railways being alive to their problem, things will gradually work back towards something like the old order of things, but in a much altered form; and,

Q. You have referred to conferences with labour. As I have observed frankly we will have to adjust ourselves to the changed condition. the changes going on, and these experiments, I would say very much less labour is required. Do you expect that you will ever get labour to agree to that? That will certainly mean a displacement of a lot of labour?—A. There is a problem there. But I want to pay this tribute to railway labour in Canada: it is intelligent, and I think it is not all on one side of the picture. Adjustments will be brought about. I think the things that are necessary to be done are matters for negotiation, certainly.

Q. But in keeping with the march of time, it seems to me we have got to come to a more simple, quicker and less expensive service, run by very few men, if we are to make these short lines profitable. This means the economy falls largely upon labour. Would you say labour would agree to that?—A. I couldn't say labour would agree; but I have in course of study at this moment a sample line regarding which I hope to make recommendations incorporating many of the ideas you express.

Q. That would require considerable capital investment. But the point I have in mind is whether it would be possible to reduce the deficit by more modern operating methods. The country could afford the capital. I think it is obvious something has to be done along that line.—A. There will have to be special types of equipment evolved, and new types of operation.

Q. Do you not think the country could afford to get along with that?—A. It is my opinion that it is the greatest field for scientific research in Canada at the present time.

By Hon. Mr. Dandurand:

Q. That, of course, implies new capital, bearing interest, being added to the old capital which bears interest on capital account?—A. Yes, it does; but I do not think new capital should be added that was not justified by the operating economies. By that I mean it must pay its interest and cost of operation.

By Hon. Mr. McRae:

Q. With a margin left over?—A. With a margin left over.

By the Chairman (Hon. Mr. Beaubien):

Q. Are you convinced that for short hauls the railway is still the cheapest method of transportation?—A. Oh, no. I didn't say that.

Q. It is only on the long hauls?—A. It depends, of course, what you call long hauls and short hauls. On straight hard-boiled economic cost, with the application of human labour to the problem, when you try to transport by truck a distance in excess of twenty miles you are paying through the nose for it, as compared with movement by rail.

By Hon. Mr. Black:

Q. You are optimistic in a direction which seems to me unjustified. I should like to know how you arrive at the opinion that competition from motor trucks is going to be eliminated?—A. I did not say eliminated, sir.

Q. Well, going to be overcome to a certain extent.—A. Yes.

Q. Notwithstanding that the cost of operating a motor truck is very much more than it was a few years ago, the number of trucks on the road in New Brunswick is much larger than before and they are transporting more goods. A few years ago the licence for a four-ton truck cost \$20; then it was raised to \$25, and now it is \$125. That is a yearly fee, yet the number of motor trucks down there is decidedly on the increase. That leads me to feel that motor truck competition is going to continue. Even where the railways did a good deal of the winter hauling, the trucks are taking away more and more business from them, because of the improvement in roads. I know this situation is very unfair to the railways. I wish we could solve the problem, but you have given me no reason to make me believe that it will be solved.—A. The answer to that question consists of a number of factors. In the first place, although licence fees have been raised, they have not been raised nearly enough to meet the cost of highways, and the provincial governments are going to find themselves short on their highway budgets. Also, there has been throughout Canada, generally speaking, a tendency to load the private automobile with most of the cost of the highways, and the private automobile user is commencing to revolt. When that comes about, when it becomes known to the private automobile user that he is subsidizing highways for truck use, he will use his vote to see that that is put a stop to. That is one thing.

Q. Let me put a question in there. By the private automobile owner, you mean the man who drives his private car?—A. Yes.

Q. For a car that weighs 3,800 pounds the licence fee is about \$28.—A. And he pays 9 cents a gallon tax on gasoline.

AN HON. SENATOR: Ten cents.

By Hon. Mr. Black:

Q. But the man who runs the truck pays the same gasoline tax, and he also pays an annual licence fee of \$125.—A. You asked for my opinion, sir, and one thing that I say will have to come is equitable taxation, forced by the budgets of the provinces on highways that are operated with deficits. There is not one province in Canada that is servicing its highways by its motor vehicle taxation at the present time.

HON. MR. HAIG: I challenge that statement. Manitoba last year paid interest on every dollar that was ever spent on roads in that province; it paid all cost of maintenance; and besides it transferred \$800,000 into the general budget. And this year the tax is being increased, so there will be a bigger surplus.

THE WITNESS: Well, I read a report on it that did not agree.

By Hon. Mr. McRae:

Q. How are you going to get the farmers who run half-ton trucks to agree with what you are saying? Are they going to do away with the trucks they use?—A. The next factor that I say is important is inadequate policing of the highways, with regard to weight regulations. When it is brought home to the people what the real result of overloaded trucks on the highways is, they are going to insist on proper policing, and when that is done it will have a very decided effect.

[Mr. S. W. Fairweather.]

By Hon. Mr. Black:

Q. That is speculative, of course.—A. I am basing my judgment upon what has been experienced in other countries. And, on top of that, the agreed charge, as a means of meeting unfair highway competition, is going to be a decided factor.

By the Chairman (Hon. Mr. Beaubien):

Q. You speak of what has been done in other countries. Is it your opinion that in France and Great Britain the short haul has been virtually abandoned to the motor trucks?—A. Of course, it depends again on what you call short haul.

Q. You qualified that as not over twenty miles, I understand.—A. I said that was the economic range in my opinion. Of course the competitive range might be as much as 500 or 600 miles. The English railways have made an appeal to the country to take the restrictions off the railways, to allow them to compete on short haul and long haul traffic on the same basis. It is interesting to note that in England, seized as the people are there with this problem, their so-called square deal for the English railways has almost got to the point of being recommended to Parliament.

By Hon. Mr. Dandurand:

Q. And over there they have no constitutional difficulty?—A. No. In this country, of course, we have the nine provinces.

By Hon. Mr. Hardy:

Q. With regard to the small trucks, such as farmers use, of one ton and a-ton-and-a-half, I suppose they would not have any effect?—A. No, they do not have any substantial effect, so long as they stay within their proper field.

The CHAIRMAN (Hon. Mr. Beaubien): I am afraid we shall have to sit as often as possible, if we are to have some free time for making our report. It is suggested that we meet after the House rises this afternoon.

Hon. Mr. DANDURAND: Even if we do not sit this afternoon, I suggest to the Chairman that we sit this evening, in order to discuss what has been done between the two railways since the 1st of July. I suggest that we should sit this evening from 8 to 11, in any event. In the meantime we could adjourn until the Senate rises.

The Committee adjourned, to resume when the Senate rises.

The committee resumed at 8 o'clock p.m.

Mr. BIGGAR: It was suggested that to-night we should go on with the question of co-operative savings effected since the committee adjourned last year.

Hon. Mr. DANDURAND: Savings undertaken or on the way.

Mr. BIGGAR: Yes.

Hon. Mr. HAIG: I am sorry Senator Meighen is not here to-night. I want to be sure Mr. Fairweather will prepare an answer to his question.

Hon. Mr. DANDURAND: What is it?

Hon. Mr. HAIG: To give us the mileage and description of all railways taken over since the incorporation of the road in 1919; under what conditions and cost new lines have been constructed since 1919; and show in relation to this map what lines taken over since 1919 or built since 1919 come either in the red, yellow or green area.

Hon. Mr. MURDOCK: Senator Meighen said 1921.

Hon. Mr. HAIG: Well, make it 1921. I would rather have it in 1919.

Hon. Mr. PARENT: The road was incorporated in 1919.

Hon. Mr. HAIG: Yes. There has been a big dispute all over Canada about the original amalgamation of the road and as to what has been done since. I would rather have the information since the date of the amalgamation in 1919.

Then what Mr. Meighen did not ask, but what I should like to ask is this: an analysis of the operation of the road in 1938.

The CHAIRMAN (Hon. Mr. Beaubien): What do you mean by an analysis?

Hon. Mr. HAIG: I do not want to go into details, but Mr. Fairweather's evidence is all based on the hope that things will improve in the railway system. Some question has been raised as to that. I want to see if 1938 was an improvement. I know it was not in actual revenue, but I want to see what accounted for the loss in revenue in 1937 over 1938. Some, I know, is due to increase of wages.

Hon. Mr. DANDURAND: I have seen a statement published showing what savings the Canadian National, and probably the C.P.R. also, have made from 1937 to 1939.

Hon. Mr. HAIG: When are we going to sit again?

Hon. Mr. DANDURAND: Next week.

Hon. Mr. HAIG: I want those questions answered then. I have seven or eight other questions which I should like to ask about this map.

Hon. Mr. McRAE: I would suggest you might simplify that by having a very simple schedule showing the branch line mileage, the cost, and the deficit last year. I think that would cover it all.

Hon. Mr. HAIG: Then I have a list of nine questions I should like to ask Mr. Fairweather in relation to this matter. I was not satisfied this morning that if you cut off the red lines the green lines would still remain green.

Hon. Mr. DANDURAND: He answered that.

Hon. Mr. HAIG: I want to ask that. Then there are two or three other questions arising out of the answers to these questions. For instance, not included in this deficit, but in the general deficit, there is a big expenditure on the hotel at Minaki, and the hotel in Saskatoon. I want to see how much the amalgamation is to be blamed for and how much our own conduct.

Hon. Mr. DANDURAND: The Canadian Pacific spent \$42,000,000 in hotels. The Canadian National spent \$22,000,000. That surprised me. How far wrong am I, Mr. Fairweather, as to what has been spent?

Mr. FAIRWEATHER: I think the evidence along that line was given to the Royal Commission, the Duff Commission.

Hon. Mr. DANDURAND: What was the figure?

Mr. FAIRWEATHER: I could not say exactly, but it was approximately the figure you have mentioned, I think.

Hon. Mr. HAIG: But when the C.P.R. is spending it is its own money; when it is the Canadian National it is my money that is being spent.

The CHAIRMAN (Right Hon. Mr. Graham): It would be the shareholders' money the C.P.R. would be spending.

Hon. Mr. HAIG: I have some other questions to ask when I get the answers.

Hon. Mr. MURDOCK: I wonder if we could get a little information on a matter that to me seems to be important. Mr. Fairweather dealt with the possible abandonment of lines, branches and portions of lines, and intimated that even if these were closed down entirely there would still be a fairly substantial fixed charge left that the people of Canada would have to carry. Now,

[Mr. S. W. Fairweather.]

There has been a lot of talk about abandoning five thousand miles of line. How could it be to place the figure of five thousand miles before us and let it be composed of the worst non-revenue producing line the Canadian National has and then get a statement indicating what the fixed charges remaining for those five thousand miles would be. I think that information would be valuable to us, because I am of the opinion it would run into millions of dollars.

Hon. Mr. DANDURAND: You forget that fixed charges remain fixed.

Hon. Mr. MURDOCK: It could only be approximate, I presume, but it could be reasonably approximate.

Hon. Mr. HAIG: He gave that this morning.

Hon. Mr. MURDOCK: In respect of a few small portions of the line. If we could have a table prepared predicated on the assumption that five thousand miles were going to be abandoned—those five thousand miles to be chosen by the operating officers of the road—then we could proceed to find out how much the people of Canada would still be obligated to carry in fixed charges on account of those five thousand miles.

Hon. Mr. CALDER: Have we not on several occasions had evidence from both companies that if the five thousand miles were continued in operation under an amalgamated system, the cost of running them would be very little, and that if they were abandoned the saving would be very small. We have had that evidence.

Hon. Mr. MURDOCK: I think so. But this morning we heard what the net loss was on account of continuing to operate a certain portion of the line, and when we found that more than half was fixed charge.

Hon. Mr. HAIG: Not more than half.

Hon. Mr. BLACK: If my memory is correct, the evidence given last year by Mr. Fairweather—and I think it was corroborated by others—was that the total net savings if we abandoned five thousand miles would be about \$7,000,000.

The CHAIRMAN (Hon. Mr. Beaubien): That is right.

Hon. Mr. BLACK: So we already have the answer to the question. On the other hand, Mr. Fairweather and his group stated unhesitatingly that it would be folly to abandon five thousand miles.

Hon. Mr. MURDOCK: But that takes into consideration the fact that there are fixed charges that could not be unloaded, and that therefore the only saving would be the difference between the fixed charges and the net loss in operation.

Hon. Mr. BLACK: Which was \$7,000,000.

Hon. Mr. MURDOCK: So if we had the real fixed charges that would still be left with us, the information ought to be valuable.

Hon. Mr. McRAE: Speaking for myself, the abandonment of five thousand miles is neither practical nor possible. I thought we had got by that entirely. I have.

Hon. Mr. MURDOCK: I do not support the abandonment of the five thousand miles.

Hon. Mr. McRAE: It has been washed out as far as I am concerned.

Hon. Mr. ROBINSON: Is there particular reason why the lines in the United States are not given on the map?

Hon. Mr. HAIG: Mr. Fairweather gave us the figure.

Hon. Mr. ROBINSON: I was not here.

Mr. FAIRWEATHER: The reason was that they were not asked for.

Hon. Mr. DANDURAND: I think we will have a statement from Mr. Black next week which will explain the principal cause of the loss on the American railways, and the Canadian railways, also.

The CHAIRMAN (Hon. Mr. Beaubien): Now, gentlemen, are there any more questions or is there any more discussion?

Hon. Mr. CALDER: I should like to ask one question. I am sorry I was not here this morning. This map worries me. You have practically all the lines in Saskatchewan and Alberta in red.

An Hon. SENATOR: And Manitoba.

Another Hon. SENATOR: Ontario, too.

Hon. Mr. CALDER: I am referring to a territory which I know something about. I remember distinctly that at one of our inquiries—it must have been two or three years ago—I asked Sir Edward Beatty and also Mr. Hanna, as to the operation of these lines in Western Canada, particularly in Saskatchewan and Alberta, and as to whether or not they were paying. The reply was that they were. What has happened since?

Mr. FAIRWEATHER: Well, the answer to that question, of course, is involved in the question which was asked me by Mr. Biggar. I was asked to take the income deficit of the Canadian National Railway and show where it arose. That was my interpretation. Now, it is obvious to anybody who takes the Canadian National income result for the year 1937 that there was a deficit on total operations of some \$42,000,000. You could distribute that deficit equally over every mile of the property, if you desired, or if you desired to make a more intelligent distribution of the deficit you could examine each particular line and find out how much traffic there was and how much expense on that line, and the taxes and funded debt. That is what this map shows.

Hon. Mr. CALDER: This is for the year 1937.

Mr. FAIRWEATHER: This is for the year 1937, and it explains a deficit of Canadian lines of, I think, \$35,000,000. There is about \$7,000,000 of the deficit that is not applicable to railway operation in Canada. The \$35,000,000 applicable to railway operation in Canada was analysed by me in relation to individual lines, by tracing the revenue and the expenses, and the taxes and the fixed charges, to individual lines. Now, a study of that kind can be informative, but as I warned the Committee, you cannot say from such a study that a line which is red on there and shows a deficit is for that reason a line which should be torn up. If you desire, of course, to extend that to the whole system, it becomes obvious. I was explaining where the deficit arose. It could have been explained by saying there are about twenty-three thousand miles of line and \$42,000,000 of deficit, or approximately \$1,800 a mile. For instead of that, I understood Mr. Biggar's instructions to be to try to distribute that deficit and allocate it to the lines where it could be said to arise.

Now, while I am on my feet—

Hon. Mr. CALDER: Just one moment. I am not sure. The last time Mr. Hanna was here may have been six or seven years ago.

Hon. Mr. HAIG: It is about fifteen or eighteen years ago.

Hon. Mr. DANDURAND: 1925.

Hon. Mr. CALDER: I know Mr. Hanna and Sir Edward Beatty were both here, and there had been attacks made on the building of lines in Western Canada.

Hon. Mr. MURDOCK: Mr. Hanna was here in 1933.

Hon. Mr. CALDER: I particularly asked that question regarding the lines on the Prairies. But the fact that you state that these figures are bad on 1937 is an answer to my question.

Mr. FAIRWEATHER: Quite so.

Hon. Mr. CALDER: Because conditions have entirely changed.

[Mr. S. W. Fairweather.]

Mr. FAIRWEATHER: With the permission of the Committee, the other thing I would like to speak of is this additional information that I am expected to prepare. Did I understand you to ask for an analysis similar to this for the operations of 1938?

Hon. Mr. HAIG: Oh, no.

Mr. FAIRWEATHER: It is quite impossible.

Hon. Mr. HAIG: I just want you to show the tendency, if you can.

Mr. FAIRWEATHER: In total it is easy to show it from the income account, but to attempt to distribute that to lines—

Hon. Mr. HAIG: I do not want that at all. I want you to show what the tendencies were. I think I know the reason, but I want to get your answer.

Hon. Mr. MURDOCK: Increased wages and increased pessimism.

The CHAIRMAN (Hon. Mr. Beaubien): How much increased wages?

Hon. Mr. HAIG: I did not ask about wages at all. My honourable friend always tries to put words in another man's mouth and make him use them. I did not say that.

Hon. Mr. MURDOCK: Did you mention that?

Hon. Mr. HAIG: I did not.

Hon. Mr. MURDOCK: I leave it to the record.

Hon. Mr. HAIG: Interest charges had something to do with it.

My suggestion is the competition of another system. Motor transportation is on the increase, and I think you will find the losses are in that department, and increasingly so. That is what I want to know.

The WITNESS: Answering your question, Mr. Chairman, the effect upon our operating result for 1938, as compared with 1937, after increased wages, was a figure of a little more than \$6,000,000. And there was an increase in cost of material of \$900,000.

By Hon. Mr. Haig:

Q. That makes \$7,000,000, roughly?—A. Yes.

Q. But your loss was about what?—A. The adverse showing, as compared with last year—you see, operating revenues diminished \$16,000,000.

Q. That is what I thought. I suggest to you that in 1938 there was an increase in your heavy grain traffic from the West over 1937. Now I want to know where the loss in traffic occurred. I want to see where that tendency was.—A. I will endeavour to make an analysis showing that. You do not desire me to answer that offhand?

Q. No.—A. There is no doubt that highway competition is a factor.

Q. If an honourable gentlemen had not suggested wages, I would not have mentioned what I thought was the reason, but that is what I do think is the reason.—A. I do not believe it is any explanation of that drop of \$16,000,000 revenue. That is very closely related to the drop in business activity. Our revenues fluctuate up and down with general business conditions. For instance, they are running ahead this year of what they were last year.

Hon. Mr. McRAE: Mr. Chairman, I think that what Senator Meighen wanted could be placed on a small sheet. He wanted to know the railways required since 1921, the mileage cost and the deficit last year. I think it would be a simple matter to give that information.

The WITNESS: That is what I understood Senator Meighen to ask.

Hon. Mr. HAIG: That is his question, but I was asking an additional question.

By Hon. Mr. Robinson:

Q. Nearly all the lines that have been acquired are shown in the Duff report, are they not?—A. Yes.

By Hon. Mr. Dandurand:

Q. Have you a statement showing savings in operating costs for 1938 as compared with 1937, and what the loss would have been if you had not had any increased wage charges?—A. As I say, there was a reduction of \$16,000,000 in gross revenue. Operating expenses actually decreased \$4,614,000. That was despite increases in wages in Canada of \$5,459,000; increases in wages on United States lines, \$623,000; and increased prices of materials, \$900,000. So if you, for purposes of this analysis, look upon those items as non-controllable there was a reduction in operating expenses of the system of \$11,596,000, against the drop in gross revenue of \$16,000,000, which is, I submit, a rather creditable performance. But in addition to that the average ton-mile revenue of the railway decreased slightly, so that the effect of that in this \$16,000,000 decrease in revenue is approximately \$4,000,000. That means that measured in physical volume of traffic, the railway practically reduced its expenses dollar for dollar with the reduction in physical volume of traffic.

By Hon. Mr. McRae:

Q. Are you sound there?—A. I think I am, sir.

Q. For instance, the \$4,000,000 savings in operation was in part due to a drop in business?—A. Yes; that is what I am saying.

Q. So you cannot take that as a reduction in operating cost. You handled less business and naturally you would have a decrease there.—A. What I was pointing out was that you would expect a railway with reduced revenues to reduce its expenditures. Now, on the face of it, the Canadian National, with a \$16,000,000 drop in gross revenue, dropped its expenses \$4,600,000. That is not a very good performance on the face of it, and if there were not factors lying behind it I would condemn it as being a poor operation. But I am pointing out that in addition to the actual decline in expenses of \$4,600,000, there were these non-controllable increases which amount to somewhere around \$7,000,000. And on top of that, to get this reduced volume of business we actually had to perform more proportionate work, because our revenue per ton-mile declined in the year. And that of course is another factor that should be taken into account. So when you make those adjustments to get this picture from the standpoint of the inherent reduction in expenses, the efficiency with which the property was administered, you find that with each dollar of traffic opportunity which was lost the railway reduced its comparable expenses by a dollar. I think that it is a perfectly sound and straightforward statement of what happened. Of course it is only of value as showing that the management in meeting declining traffic cut expenses severely. It has no bearing at all upon the financial result. The financial result shows a worsened situation on operating account of about \$11,500,000. But the explanation I have made does I think, indicate that from the standpoint of the managerial control of the expenses, if you once grant that the wage increases were beyond control of the management, there was a very creditable performance.

By Hon. Mr. Hugessen:

Q. These 1938 figures include United States lines. You told us that in 1937 you had a deficit on Canadian lines of approximately \$35,000,000?—A. Yes, sir.

Q. Could you give us a similar figure for 1938?—A. I do not know that I could give it immediately, sir. But in 1938 our United States lines, as recall it, made a poorer showing than our Canadian lines, relatively. I am afraid I could not give the figures offhand.

The CHAIRMAN (Hon. Mr. Beaubien): Is there anything more on this particular line?

[Mr. S. W. Fairweather.]

Mr. BIGGAR: I understand that Mr. Walton will deal with these economies effected by co-operation since the Committee adjourned last year.

Mr. N. B. Walton was called as a witness.

By Mr. Biggar:

Q. Mr. Walton, I think you have a memorandum of the situation with regard to all the matters that have been dealt with by the co-operative committees of the two railways, have you not?—A. Yes, sir.

Q. That memorandum includes all or a number of those that are already before the Committee in Exhibit 29, on pages 116 and following pages of the proceedings.

Hon. Mr. McRAE: Who is the witness? What is his position?

By Mr. Biggar:

Q. Mr. Walton, will you tell us what your position with the Canadian National Railways is?—A. I am Vice-President in charge of operation, Canadian National Railways.

Hon. Mr. HAIG: He is the man who makes the trains go, then.

By Mr. Biggar:

Q. Can you take this statement and deal with the changes that have occurred since June of last year, without going over all the items we have dealt with which have not changed?—A. I think so. This statement in itself, I believe, should give the information you desire. I have additional copies of the statement if the Committee would like to have them.

(Copies of the statement were distributed.)

Q. Before you go on with that, perhaps you had better tell us what changes have occurred in the organization for co-operation since last year?—A. On August 9 last year a joint committee was formed of officers of the two railways, to be known as the Vice-Presidents' Joint Committee, to deal with co-operative matters. The committee consisted, for the Canadian Pacific, of Messrs. D. C. Coleman, George Stephen and H. J. Humphrey; and, for the Canadian National, of Messrs. Alistair Fraser and R. C. Vaughan, and myself. The first meeting was held on August 18 last year.

Q. What was the relation of that committee to the Joint Co-operative Committee that made representations that were dealt with at the meetings of this committee last year?—A. The Joint Co-operative Committee was continued in force under the direction of the Vice-Presidents' Joint Committee.

Q. That was the only change in the organization?—A. Yes, sir.

Q. Did the Vice-Presidents' Committee settle the thing finally? Was there any other committee?—A. They report to the Joint Executive Committee.

Q. The same Joint Executive Committee as existed before?—A. That is right.

Q. So this new committee was just an intervening new committee between the two that existed previously?—A. Correct.

Q. You are going to refer to this memorandum which has been distributed, and which will be Exhibit 100?—A. Yes.

(Statements of Co-operative Projects Between the Canadian National and Canadian Pacific Railways. Change in status since July 1, 1938, filed as Exhibit 100.)

The WITNESS: This statement, as is indicated in the heading, deals with all co-operative matters in respect of which there has been any change of status since July 1, 1938, down to the date when the statement was prepared and sent to you, March 21 of this year.

The first item A is Passenger Train Pooling: Memorandum submitted by C. N. Section of Vice-Presidents' Committee to the C. P. Section, October 6, 1938, containing suggestions as to the basis of a nation-wide pool of competitive passenger train services and on 16th March, 1939, C. P. Section of Vice-President's Committee accepted C. N. suggestion that nation-wide pool of competitive passenger train services be studied and reported on by Joint Co-operative Committee.

Hon. Mr. CALDER: Has that study been started?

The WITNESS: Yes, sir.

By Hon. Mr. Dandurand:

Q. Have you agreed to that formula or has the purpose and extent and effect of such pooling of passenger train services on competitive lines been discussed or put down in writing?—A. Yes, sir. At meetings of the Vice-Presidents' Joint Committee some method of calculating the pooling arrangement that might be made effective was discussed at considerable length and, as indicated in this memorandum, instructions have gone to the Joint Co-operative Committee to study the matter in detail, in addition to which we are appointing one special officer from the passenger traffic department and another general officer from the operating department to act specially on it. Just at the moment the operating officer cannot be relieved from his present duties entirely, owing to having arrangements in hand in connection with the Royal visit. As soon as that is over it is the intention to take him off his regular work entirely so that he may devote his time to this study. I understand the Canadian Pacific are similarly having two officers act specially in connection with this particular study, which of course will be taken up.

Hon. Mr. McRAE: Mr. Chairman, I do not see why this committee is interested in further studies. We have been studying this for four years, and we ought to have a post-graduate course for it by this time. Study does not mean anything to me any more. We are looking for results. I am fed up with the word "study." I have listened to it for four years. Let us deal with what has been actually accomplished.

Hon. Mr. DANDURAND: One question which should be put came to my mind: What does that competitive passenger train service to be pooled mean?

Hon. Mr. BLACK: In dollars and cents.

Hon. Mr. McRAE: What, Senator, is to be pooled is in the future. Surely at this time these railroads can show us what they have actually accomplished. I see on this sheet here abandonment of Woodstock to Windsor, which is under study by the Joint Co-operative Committee. That has been presented to us at least twice before as a subject under study. Let us forget that so far as this statement is concerned.

Hon. Mr. DANDURAND: But it is interesting to know how they have advanced as a whole, and what substantial hope they have of something being effected in these various directions. The first thing here is the pooling of passenger trains. Everyone knows passenger service does not pay, and it has been admitted on all sides. Here is a substantial proposal. At least the two railways are leaning to the pooling of their passenger competitive lines from the Atlantic to the Pacific. I want to know what it implies.

Hon. Mr. McRAE: But, Mr. Chairman, I submit it is only what they have accomplished which is pertinent at the moment. What they are studying is not, I submit, a pertinent question.

The CHAIRMAN (Right Hon. Mr. Graham): Perhaps some of the hopes expressed will never be realized—they cannot be realized between the two railways.

[Mr. N. B. Walton.]

Hon. Mr. McRAE: I am afraid not.

Hon. Mr. BLACK: Mr. Chairman, since we adjourned last year what savings have resulted from abandonment, pooling, or otherwise? In other words, have any substantial results been realized since we adjourned last year and the beginning of this March?

Hon. Mr. DANDURAND: You must not forget, Senator Black, that the systems being under co-operation or unification, they will have to grapple with all those problems. So I want to know how far they have come together in solving problems that are facing them, and will face them under any circumstances.

Hon. Mr. BLACK: Quite so, Senator, but we may as well have a yes or no answer to the question.

The CHAIRMAN (Hon. Mr. Beaubien): Mr. Walton, you have given us a list of economies which you have in view.

Hon. Mr. BLACK: Might I have that question answered?

The CHAIRMAN (Hon. Mr. Beaubien): In a second.

By the Chairman (Hon. Mr. Beaubien):

Q. Have any of these economies actually been accomplished—A. The statement shows it.

Hon. Mr. PARENT: We should have the statement first, and then we shall know how we stand.

Hon. Mr. McRAE: Can we not red-pencil out the things still pending, so this statement will show what has been accomplished?

Mr. BIGGAR: I have studied it this morning with the Canadian National, and so far as I can find the position is this—Mr. Walton will correct me if I am wrong—that if you exclude the things we assume were done last year, that exhibit, Exhibit No. 29, which we took as having been done, although all the things were not done, there were to be applications to the Board of Railway Commissioners, and so on,—but if you exclude those, there are items in this none of which are actually in operation, but in respect of which agreement has been made in five cases, amounting to an annual saving of approximately \$180,000.

Hon. Mr. DANDURAND: Does that comprise agreements that have been or are being submitted to the Transport Board?

Mr. BIGGAR: Yes.

The CHAIRMAN (Hon. Mr. Beaubien): Have they been passed on by the Transport Board?

Mr. BIGGAR: No. You will find the greater number of them on page 2. There are four items on that page, the fifth, sixth, seventh and eighth, reports Nos. 63, 64, 65 and 66, in which there have been agreements to abandon certain lines involving the saving set out in the right-hand column. In all cases applications to the Transport Board Commissioners are being prepared. Then you find the second item on the third page. There is a note with regard to that Alberta, Trelle Junction-Morinville, Carbondale-Egremont agreement that on November 26, 1938, N.A.R. and C.N.R. agreed to these abandonments. Application is being prepared for submission to Board of Transport Commissioners, involving a saving of \$23,100. There are certain other reports, but those are all I can find in respect of which there are new figures which are not in Exhibit No. 29.

The WITNESS: I think that is correct.

Mr. BIGGAR: They amount to \$182,600.

Hon. Mr. BLACK: And none of them have yet gone into effect?

Mr. BIGGAR: Yes.

The CHAIRMAN (Hon. Mr. Beaubien): None of them have been passed on by the Board of Transport Commissioners.

Mr. BIGGAR: None have got to the Board yet.

Hon. Mr. BLACK: That answers my question.

The CHAIRMAN (Hon. Mr. Beaubien): Is there anything more you would like to find out from Mr. Walton?

Hon. Mr. DANDURAND: I want the witness to tell us what progress they have made on those various schemes of abandonment or co-operation.

By Hon. Mr. Haig:

Q. Mr. Walton, I am going to put to you a question, but I do not want to place you in a difficult position. If you do not wish to answer it do not do so. This is my question: Has there been a greater spirit of co-operation since the 1st of July last year or prior to that time in your judgment?—A. I think it has been greater since the 1st of July last year.

Hon. Mr. PARENT: To the extent of \$180,000.

By Hon. Mr. Haig:

Q. No, generally.—A. Well, generally, because you are speaking of the amount of \$183,000, whereas there is no question about the possibilities in this proposed passenger train pooling if we can work it out.

Q. And you say there is a greater spirit of co-operation now than there was before July last?—A. Yes.

By Hon. Mr. Calder:

Q. Both railway companies realize the importance of co-operation?—A. Yes.

Hon. Mr. McRAE: I suggest to Senator Dandurand that if he proceeds with the list he tell us why they have not been able to arrive at something.

Hon. Mr. DANDURAND: Here are two big railway companies that have been working together in an effort to effect savings. It is not an easy matter. It is important for us to see what they have been working upon and what we can expect in the future as to the rapidity with which they come to conclusions.

Hon. Mr. McRAE: But, Senator, I hold it is even more important when they are dealing with these items to tell us why they have not got further with them and arrived at something concrete. During all these years it has been apparently a distant hope. Let us find out why the savings have not been put through.

Hon. Mr. DANDURAND: We are asking what they have been doing, and what they have been aiming at since July last.

Hon. Mr. McRAE: According to this they have saved only \$200,000 since last July. I want to find out why they have not done better.

Hon. Mr. PARENT: But the witness has said there is a better spirit towards co-operation now than there was last year. It would be quite proper for him now to justify the statement he has before him, and afterwards it will be proper for us to put questions to him.

Hon. Mr. DANDURAND: Will you proceed, Mr. Walton? If we continue our discussion we shall not reach very far.

The CHAIRMAN (Hon. Mr. Beaubien): Are you satisfied that the witness shall proceed?

Hon. Mr. McRAE: Yes.

[Mr. N. B. Walton.]

Hon. Mr. CALDER: Mr. Chairman, might I make a suggestion? Let us select two or three of these items and ascertain just what has happened, what is the cause for delay. Take, for example, No. 29a, and the first, second, third and fourth items.

Hon. Mr. DANDURAND: We shall reach those items as we proceed. We have the statement before us. Let us deal with item 1 to item 20.

Hon. Mr. CALDER: Is it the understanding that we shall go through all of that.

Mr. BIGGAR: I have from the C.P.R. a statement along the same lines as the one before the committee, and as the members of the committee will observe, there is a large number of items. Mr. Grout was going to deal with the matter from the point of view of the Canadian Pacific. I suggest that the committee could follow the situation very much more easily if Mr. Grout and Mr. Walton dealt with each item as it came up, and that we might have two witnesses at the same time.

Hon. Mr. DANDURAND: There must be an agreement as to facts.

Mr. BIGGAR: There is not a very wide divergence of view.

H. C. GROUT, Assistant to Vice-President, C.P.R., was called as a witness, and took the stand with Mr. Walton.

Mr. BIGGAR: The Canadian Pacific statement of the status of co-operative projects puts it this way:—

The Vice-Presidents' Joint Committee on co-operative matters has since its appointment on August 9, 1938, been giving consideration to the adoption of principles to govern the pooling of passenger train revenues and services. While the respective sections of this Joint Committee have held divergent views with regard to certain features of this problem which it has taken some time to explore agreement was finally reached on March 21, 1939, as to the terms of reference, and the Joint Co-operative Committee was instructed to undertake immediately a study of economies possible of attainment by and to make recommendations in regard to the pooling of competitive passenger revenues and services through the elimination of duplicate competitive services, including stations and off-line and uptown ticket offices.

The Committee will observe that there is a certain difference between these two statements.

Hon. Mr. DANDURAND: I do not see any difference except that this is more detailed.

Mr. BIGGAR: Right.

The only difference here with respect to the first item, "Nova Scotia, Middleton-Bridgetown," is that an application was made to the Board of Transport Commissioners on August 11, 1938.

Mr. WALTON: Since this report was prepared there has been a change in that matter. Approval was given under Order 57130, in March 1939, for that abandonment.

Mr. BIGGAR: And that fact appears from the Canadian Pacific statement, which will be exhibit 101.

(C.P.R. statement of the status of co-operative projects dealt with by Vice-Presidents' Joint Committee on co-operative matters, filed, marked Exhibit No. 101.)

Mr. BIGGAR: Now, Quebec, "Fresniere-Papineau." The C.P.R. statement is that:

This portion of proposal being re-studied on account of changed conditions since date of report.

Now, "Joliet-Montfort Junction."

Mr. WALTON: That abandonment has been agreed to as between the two, and there is an application to the Board being prepared.

Mr. BIGGAR: The change is that the application has been prepared.

Mr. WALTON: Right.

Mr. BIGGAR: And the next, "Quebec, Ste. Therese-St. Eustache." What the C.P.R. says is:

Agreement data disclosed that this abandonment might better be made as an exclusive C.P. abandonment. Report has been withdrawn.

Hon. Mr. PARENT: Why?

Mr. WALTON: It has been withdrawn as a joint co-operative affair, but I understand the abandonment will still be made exclusively by the Canadian Pacific.

Mr. GROUT: The Canadian Pacific is to make application for exclusive abandonment rather than co-operative abandonment.

Hon. Mr. HAIG: What does that mean?

Mr. GROUT: It means that we won't divide our savings with the Canadian National.

Mr. BIGGAR: The next is, "Quebec, St. Canut-Cushing Junction," and the only change is that the application to the Board of Transport Commissioners is being prepared.

Mr. WALTON: Yes, sir. There is a slight difference from twenty-three—

Mr. BIGGAR: As a matter of fact, as appears from Exhibit No. 29, the report in favour of that was made on June 7, 1935.

Hon. Mr. McRAE: 1935?

Mr. BIGGAR: Yes.

Hon. Mr. McRAE: And the application has not yet been prepared?

Hon. Mr. DANDURAND: We could perhaps ask why. What has been in the way of preparing it more rapidly?

Hon. Mr. PARENT: How much time do you require between preparation and presentation?

Mr. GROUT: There were a number of these reports that were made some little time ago but were not acted upon because we found that the general principles which had been set up were not workable. We spent a lot of time and finally reached a satisfactory agreement on the general principles to be followed in this line abandonment where one company is to have running rights over the continuing company's line. That is why a number of these cases that were reported upon some time ago were not acted upon until recently.

Hon. Mr. DANDURAND: But there has been agreement between the two railways?

Mr. WALTON: Yes, sir.

Mr. BIGGAR: Next, "Arnrior-Eganville," Report No. 29A replaces Report No. 29 of February 6, 1934.

Hon. Mr. DANDURAND: That is thirty-eight miles on the Canadian National.

Mr. WALTON: Yes, sir.

Hon. Mr. McRAE: That was agreed to in September last. The application is still being prepared?

[Mr. N. B. Walton.]

[Mr. H. C. Grout.]

Mr. BIGGAR: Yes.

"Ontario, Shannonville-Darlington."

Hon. Mr. DANDURAND: Is it very hard to prepare such a report?

Mr. WALTON: They require very exhaustive detail in regard to the earnings of the line.

Hon. Mr. DANDURAND: The Transport Board?

Mr. WALTON: Yes. They require that. It takes time to get those figures assembled for them, and if they are not complete we hear from them.

Hon. Mr. McRAE: You would not say it would take seven months to get that information.

Mr. WALTON: One thing that must be remembered is that they are being dealt with by officers who are busy on other matters and who cannot give exclusive attention to this.

Hon. Mr. PARENT: Furthermore they have to consult the local people to see if they will be affected.

Mr. WALTON: There is a great deal of this data that has to go to the Board before they will take it under advisement.

Hon. Mr. CALDER: And only officials who are dealing with these matters can do this.

Mr. WALTON: That is correct.

Hon. Mr. ROBINSON: The Board of Transport Commissioners, then, is a sort of stumbling block?

Mr. WALTON: I wouldn't call them a stumbling block. They have to pass on the rights and wrongs of the question, and I presume they have to have a great deal of information to deal with the matter properly.

Hon. Mr. McRAE: Do you have to go into further detail after you have agreed?

Mr. WALTON: We have to get all this information for the Board.

Hon. Mr. McRAE: That is the matter of detail?

Mr. WALTON: Yes.

Hon. Mr. DANDURAND: The Board wants to know what people are affected.

Mr. WALTON: And in every case they send an officer out to see the people in the community.

Hon. Mr. PARENT: To see how many men are going to be affected, how many offices are going to be closed in the locality.

Hon. Mr. HUGESSEN: After an application is launched, how long does it take before you get action from the Board?

Mr. GROUT: The Middleton application took six or seven months. All the information was in on August 11, and filed with the Board, and there was an investigation made through the territory by an officer of the Board. Afterwards a hearing was held in the locality by the Board.

Hon. Mr. PARENT: And no judgment?

Mr. WALTON: Yes, it was given on March 7.

Mr. BIGGAR: "Shannonville-Darlington." That is just a study which has resulted in the expression of the view by the Canadian Pacific that they do not consider the net economy sufficient to incur the disadvantages which are foreseen under co-operative abandonment of this importance through traffic line.

Hon. Mr. DANDURAND: And those eighty-two miles are C.P.R. rails.

Mr. BIGGAR: Yes.

Hon. Mr. McRAE: Why should this be in the report?

Mr. GROUT: This is intended as a report of the activity.

Mr. WALTON: We thought that everything that had been discussed should be on this list.

Mr. BIGGAR: Next is "Dranoel-Medonte," The only change is that the application to the Board of Transport Commissioners is being prepared.

Mr. WALTON: Yes.

Hon. Mr. DANDURAND: That is seventy-four miles of C.P.R.

Mr. BIGGAR: Yes. The report was made on June 24, 1936.

The next item is "Linwood-Listowel." There, again, I think the only change is that an application has been made to the Board of Transport Commissioners, and was approved on March 8, 1939.

Mr. GROUT: Correct.

Mr. BIGGAR: "Ste. Mary's-Ingersoll North." That is simply a report that the economy is not worth while.

"Woodstock-Windsor. Joint Local Committee reported on five alternative suggestions, none of which will produce adequate net economy. Now being considered by Joint Co-operative Committee."

"North Bay-Yellek." The report was made on November 27, 1935. You will remember the evidence last year that certain trackage could not be made available, and study was being made from another point of view.

Hon. Mr. DANDURAND: That is eight miles.

Mr. BIGGAR: "Bala-Wanup, report dated February 10, 1934, recommending abandonment approved by Joint Executive Committee. C.N.R. unwilling to implement this report until some comparable abandonment of a portion of C.P.R. main line can be agreed to."

Hon. Mr. DANDURAND: One hundred and forty-one miles.

Mr. BIGGAR: One hundred and forty-one miles, C.N.R.

Hon. Mr. DANDURAND: I should like to know what saving is to be effected there?

Mr. WALTON: \$161,900 estimated annual joint net saving on the Bala-Wanup line.

Hon. Mr. DANDURAND: Would the effect of this abandonment be to transfer some of your clientele in that region to the Canadian Pacific, Mr. Walton?

Mr. WALTON: No, sir. The proposition was to tear up a portion of the Canadian National lines and run over the Canadian Pacific for this distance of 141 miles.

Hon. Mr. DANDURAND: Would there be an advantage to the Canadian National in following that suggestion?

Mr. WALTON: If the abandonment were effected there would be this saving of \$161,000 a year. That is a portion of our main line, and we have been agreeable to the abandonment if the Canadian Pacific will abandon a somewhat comparable piece of their main line to match up with it.

Hon. Mr. HUGESSEN: There is a suggested abandonment of the Canadian Pacific's Woodstock-Windsor line. I think last year Sir Edward Beatty told us that one of the reasons why that could not be abandoned was the valuable passenger traffic.

Mr. GROUT: I think you are confusing that, sir, with the pooling west of Toronto.

Hon. Mr. HUGESSEN: That is what I was coming to. If you reach an agreement about passenger pooling, would that not have an effect on line abandonment?

Mr. GROUT: It might.

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Hon. Mr. HUGESSEN: Is there not a possibility that it would?

Mr. GROUT: I would not say so.

Mr. WALTON: I think I should say I disagree with Mr. Grout. I feel that if the extended passenger train pooling that is mentioned at the top of the page were made effective, it would have a bearing on the possible abandonment between Woodstock and Windsor.

Mr. GROUT: I agree with that to a certain extent. It has to be developed. We have not developed that yet.

The CHAIRMAN (Hon. Mr. Beaubien): In this particular case, Mr. Walton, the Canadian National was waiting for due compensation?

Mr. WALTON: Yes.

Hon. Mr. DANDURAND: I should like to go a little further. Take this proposition by itself, Mr. Walton. Is there any saving to be made by the Canadian National in abandoning those 141 miles, independently of any compensation you could get elsewhere, any comparable advantage elsewhere?

Mr. WALTON: Yes, a saving to the Canadian National of approximately half of this amount of \$161,000.

The CHAIRMAN (Hon. Mr. Beaubien): You would cut your expense in two?

Mr. WALTON: Yes.

Hon. Mr. McRAE: But you would be breaking up your own main line?

Mr. WALTON: That is just the point. And I might say that when this abandonment question was initiated some years ago, the practice of dealing with abandonments approximately in pairs was followed, in order to preserve the burden and advantage reasonably close. That enters into this picture.

The CHAIRMAN (Hon. Mr. Beaubien): That is the policy that has persisted since the beginning?

Mr. WALTON: That is right, sir.

The CHAIRMAN (Hon. Mr. Beaubien): "You give me, and I will give you."

Mr. GROUT: I should like to say something on that. That is the policy that has been insisted upon by the Canadian National, not by the Canadian Pacific. They have had to follow suit because the Canadian National insisted on that policy.

Hon. Mr. DANDURAND: When the Canadian Pacific was asked for a certain abandonment, or felt that there should be certain abandonment, did it inquire what sacrifice the Canadian National had made elsewhere?

Mr. GROUT: On each of these abandonments, Senator, the savings are to be divided. The net savings on each of these co-operative projects are to be divided fifty-fifty between the two companies. So if there is a net economy on any one project, both companies benefit.

Hon. Mr. MURDOCK: Would you go back for a moment to the Shannonville-Darlington line? It says there: "C.P. does not consider net economy sufficient to incur resulting disadvantages." How does that compare with the last item we have been considering?

Mr. GROUT: The possible economy is approximately half of this, but the territory served is very much more important. It is a much more important main line, and the disadvantage to the Canadian Pacific, in our opinion, would be more than the savings would make worth while.

Hon. Mr. HAIG: These 141 miles are along this line here (indicating on map). They start at Bala and go up to Wanup. Is that a very heavy traffic line on either road? Supposing the Canadian National line were abandoned, and the Canadian Pacific were continued, the Canadian National would still have this line (indicating) down to Toronto.

Mr. WALTON: That is a longer route to Toronto. That would not be used in preference to the shorter route.

Hon. Mr. HAIG: When you abandon a line, what happens if you disagree in future?

Mr. WALTON: No future disagreement is contemplated in these arrangements for joint use of tracks. I do not know that there is likely to be disagreement.

Hon. Mr. McRAE: Is the agreement for any time?

Mr. WALTON: It is usually made for a long time, subject to renewal.

Mr. GROUT: There is no term. It is an agreement in perpetuity.

Hon. Mr. BLACK: If that is the case, why not make the abandonment? If both roads have the same rights for all time over the line that is continued, why not abandon one line?

Mr. WALTON: It is a piece of our main line, and we feel that some comparable abandonment should be forthcoming from the Canadian Pacific. And in spite of the lesser mileage, we advised them that we would be willing to maintain the Shannonville-Darlington line, with its 82 miles, as an offset to the other, but that was not agreed upon.

Hon. Mr. DANDURAND: Would the two railways benefit to a certain extent from the abandonment of the Shannonville-Darlington line?

Mr. WALTON: If the Shannonville-Darlington line were abandoned, both roads would benefit. It is a similar proposition to the other one.

Hon. Mr. SINCLAIR: Would both roads benefit from the Ste. Therese-St. Eustache abandonment?

Mr. GROUT: No. That would be an exclusive abandonment. The road that remains there would take all the traffic in that territory.

Hon. Mr. CALDER: Mr. Walton, if I remember correctly, there is something in the statute requiring certain things to be done so as to distribute the burden and advantage. Is it because of the statutory provision that you take the stand you do?

Mr. WALTON: Not altogether, sir.

Hon. Mr. CALDER: What is the source of that question of burden and advantage?

Mr. WALTON: That refers to the working arrangement by which the money advantage and the burden will be divided equally between the two roads.

Hon. Mr. CALDER: Then the statutory provision has nothing to do with your contention that you have a right to look for something like an equivalent abandonment by the other railway somewhere else?

Mr. WALTON: I do not know of any statutory provision.

Hon. Mr. CALDER: In other words, you simply say, "We will abandon this, if you will abandon that"?

Hon. Mr. PARENT: Give and take.

Mr. WALTON: A give-and-take proposition.

Hon. Mr. HAIG: I cannot understand what advantage it is to the railway to maintain that stand. For instance, if the Canadian National are given a perpetual right to run over a Canadian Pacific line, what difference does it make to the Canadian National if their line is abandoned?

Hon. Mr. CALDER: Mr. Chairman, I think this is very important. It seems to me we have got to a point where it may be necessary to make some statutory provision to deal with this phase. In a nutshell the situation is

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this: both railway companies agree that 141 miles can be abandoned, with a saving of \$161,000, which would be divided equally between them. Yet one of the railways will not agree to the abandonment because the other railway does not abandon another line of approximately the same length and where there would be approximately the same saving. It seems to me that is very unreasonable. I think it is worth considering whether or not there should be statutory compulsion in a situation of this kind.

Hon. Mr. DANDURAND: I felt that each proposal should stand by itself, so that we should see what advantage it offered to the two railways. We have now gone through one page of this exhibit, and if we proceed we shall see how often this question of burden and advantage reappears, if it does at all.

Hon. Mr. BLACK: Going back to the Shannonville-Darlington line, we see the proposed abandonment is 82 miles. The saving is not computed. If the Canadian Pacific would continue to have the same running rights as it has to-day, I cannot see, without further explanation, why there could not be an agreement there.

Hon. Mr. DANDURAND: I wanted to ask the Canadian Pacific representative about that. The statement says: "Joint Co-operative Committee reported to Joint Vice-Presidents' Committee that, although substantial economy to be obtained, C.P. does not consider net economy sufficient to incur resulting disadvantages."

Hon. Mr. MURDOCK: What does the Canadian Pacific say about that?

Mr. BIGGAR: The Canadian Pacific says practically the same thing in Exhibit 101: "The C.P. have stated that they do not consider the net economy sufficient to incur the disadvantages which are foreseen under co-operative abandonment of this important through traffic line."

Hon. Mr. DANDURAND: I see a contradiction in that statement. Although substantial economies might be realized through abandonment, the Canadian Pacific does not seem to think they are of sufficient importance to justify an agreement.

Hon. Mr. PARENT: It looks as if the Canadian Pacific had certain men to say "Yes" and other men to say "No," because there seems to be a contradiction there.

Hon. Mr. DANDURAND: One statement may have been made by the Canadian National and the other by the Canadian Pacific.

The CHAIRMAN (Hon. Mr. Beaubien): If you want an answer to that question, why not ask the Canadian Pacific representative?

Hon. Mr. BLACK: I should like to have an answer.

Hon. Mr. DANDURAND: You are entitled to have the reason why, from the Canadian Pacific.

Hon. Mr. BLACK: There may be a reason, and we are entitled to it.

Mr. GROUT: A joint study was made by local officers with respect to possible abandonment in that territory, and they reported there were possible savings to be made.

Hon. Mr. BLACK: To what extent?

Mr. GROUT: The figures were never taken out to ascertain the final analysis of the net amount. We did take figures out to show what expense would be involved in making the connections between the two lines.

Hon. Mr. DANDURAND: Where is that territory located?

Mr. GROUT: From Belleville to a point near Oshawa.

Hon. Mr. HAIG: There it is on this map.

Mr. GROUT: It is part of our main line from Montreal to Oshawa.

Hon. Mr. DANDURAND: Are the C.P.R. and the Canadian National running together?

Mr. GROUT: Yes, sir, they are parallel at varying distances.

As compared with the expense involved in making connections, without going into a final analysis of compensation for the traffic turned over to the National, or whether we would maintain our services at the intermediate stations, the figures that we had of the possible savings were not in our opinion sufficient to justify us giving favourable consideration to severing an important through line serving at least four important towns.

Hon. Mr. HUGESSEN: The Bala-Wanup abandonment is through territory which produces hardly any traffic at all.

Mr. GROUT: It is very light, I believe.

Hon. Mr. HUGESSEN: Whereas, you say, it is not a comparable abandonment to have an abandonment in a country that produces a lot of traffic. You would lose traffic if you abandoned that line.

Mr. GROUT: We certainly would.

Hon. Mr. HUGESSEN: Does it not come back to this, if you can come to an arrangement for sharing traffic?

Mr. GROUT: We have not got that far.

Hon. Mr. HUGESSEN: For instance, if you can make arrangements for pooling passenger services, does it not make it easier for both of you to abandon competitive lines?

Mr. GROUT: Generally speaking, I would not say so.

Hon. Mr. BLACK: Do you consider that particular line very much more important to you than No. 30, which is 141 miles?

Mr. GROUT: Very much more important from a traffic point, both for through traffic and local traffic originating there.

Hon. Mr. BLACK: By joint operation of that 81 miles you would get half the revenue therefrom. Wherein would you be in a worse position? You would have the same amount of revenue you have now, with some economies. I do not see where you would be in a worse position under joint running rights.

Mr. GROUT: There are other considerations. We have fast through freight services. Our passenger service is pooled in that territory.

Hon. Mr. BLACK: It is?

Mr. GROUT: Yes; but not our freight. That is our through freight line from the United States through New England. It is interstate traffic for one thing running on very fast schedules. There is traffic coming from our United States connections involved in any interruption to our service on that line.

Hon. Mr. HUGESSEN: You have double track compared with single track.

Hon. Mr. MURDOCK: And the important towns of Belleville, Trenton, Cobourg, Port Hope, Bowmanville, Brighton, Port Colborne and Grafton.

Hon. Mr. DANDURAND: What is your view as to that?

Mr. WALTON: My view is just this, the proposed abandonment on our line is approximately twice the distance proposed for abandonment on the Canadian National in the Shannonville-Darlington section.

Hon. Mr. DANDURAND: 141 against 82 miles.

Mr. WALTON: Yes, sir. That should offset to some extent at least any apparent disadvantage there might be in the one case against the other. The Canadian National is willing, if the Shannonville-Darlington abandonment is made effective, to have the Canadian Pacific still serve the towns they serve now

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by their several facilities, using our double-track main line for so-called bridge traffic, that is, to carry it from Toronto to the points beyond the suggested joint trackage easterly. There should be no question of any overloading of our double-track main line east of Toronto, because it can carry substantially more traffic than it is carrying at the present time, and so far as we can see the only thing that lies between these two matters is a question of prestige, and our prestige is just as valuable to us as the Canadian Pacific's is to them. That is the statement I give you to the best of my ability.

Hon. Mr. HAIG: Looking at the two lines, Mr. Walton, I should think there is very little local traffic on the Bala-Wanup line.

Mr. WALTON: There is a certain amount of local traffic. As indicated by the yellow line—

Hon. Mr. HAIG: Why should not the Canadian Pacific abandon its line and you continue your line?

Mr. WALTON: The study indicated our line could be abandoned. I do not know how the relative lines through that territory would stack up.

Hon. Mr. HAIG: Would it not be possible for an independent body to examine the two lines Bala-Wanup and say whether the C.P.R. should abandon its line between the same point instead of the C.N.R.? They are practically parallel. Would that be possible?

Mr. GROUT: May I answer that?

Hon. Mr. HAIG: Yes.

Mr. GROUT: When the local officers were first charged with the duty of studying that situation they were asked to report on the abandonment of either one of the two lines. The studies were such that they reported jointly in favour of the abandonment of the Canadian National line.

Hon. Mr. HAIG: That answers my question.

Hon. Mr. McRAE: As a matter of fact the first line built would better serve the villages adjacent to it.

Hon. Mr. DANDURAND: Is that one of the problems being studied?

Hon. Mr. HAIG: Yes, that is the problem on the first page. I was asking the witness whether instead of abandoning the C.N.R. on the Bala-Wanup abandonment, they should abandon the C.P.R. Suppose we appoint the two chairmen to go up and examine the situation and if they say we should abandon the C.P.R., then why should not that go through?

Mr. GROUT: There has been no disagreement so far as that feature is concerned. Both companies are in agreement that if there is to be an abandonment there are more savings to be made by abandonment of the Canadian National.

Hon. Mr. HAIG: That is what I want to know.

Mr. BIGGAR: The next two are Nipigon-Current Junction and Twin City-James, both of which are being studied by joint local committees.

Next is the Winnipeg-Morris. The joint local committee's report on the abandonment of 33 or 34 miles of Canadian Pacific line is now before the Joint Co-operative Committee, and the joint local committee is working on the report covering the alternative abandonment of the Canadian National line.

Hon. Mr. DANDURAND: The statement here is somewhat different.

Mr. BIGGAR: I am reading from Exhibit No. 101.

Hon. Mr. DANDURAND: The Canadian National exhibit says:

On January 6, 1939, C.N. section of joint local committee forwarded reports to C.P. section of joint local committee covering the abandonment

of either C.N. or C.P. lines between Winnipeg and Morris. That would affect 33 or 34 miles.

Hon. Mr. MURDOCK: 33 for the C.N., 34 for the C.P.?

Mr. GROUT: Correct.

Hon. Mr. PARENT: No conclusion arrived at yet by the local committee?

Mr. GROUT: Not yet.

Mr. BIGGAR: The next is Beach Junction-East Selkirk, and the Canadian Pacific says that on August 18, 1938, joint vice-presidents' committee agreed not to proceed with this project account changed conditions. December 3, 1934, report No. 36 was made.

The reported economy last year in Exhibit No. 29 in that respect was \$11,181.

Hon. Mr. HAIG: What is the difficulty there?

Mr. WALTON: Changed conditions. Since location of the C.I.L. plant south of East Selkirk it requires the continuance of that line south of where the abandonment would start and the use of the other line by both lines. There is a big plant in there which changed the conditions. It was not, so far as we know, even thought of when the original report was turned in recommending abandonment. It is an example of how conditions can change.

Hon. Mr. HAIG: That plant could have been built somewhere else.

Mr. WALTON: We could not dictate where it should be located.

Hon. Mr. HAIG: I know that district well. If your line had been abandoned before they started they would have built a little further over. It is right out on the prairie.

Hon. Mr. CALDER: But the plant is there.

Hon. Mr. HAIG: It is now.

Hon. Mr. McRAE: There is one question I should like to ask. Is that operating savings, or do you take into consideration completion and replacement.

Mr. WALTON: It is operating saving and salvage.

Hon. Mr. McRAE: There would be material savings?

Mr. GROUT: That is all in this.

Hon. Mr. BLACK: That is not annual savings?

Mr. GROUT: Yes.

Mr. BIGGAR: The next abandonment is Portage-Delta, Oakland-Cawdor, Muir-Gladstone. Under a new report since last year's committee meeting, No. 63, dated September 21, 1938, it is proposed to deal with 36 Canadian National miles at a saving of \$34,500. Application to the Board of Transport Commissioners is being prepared.

The next is McGregor-Varcoe. Report No. 64, of September 22, 1938, estimates \$45,000 a year to be saved from the abandonment of 54 miles of the Canadian Pacific, and application is being prepared for submission to the Board of Transport Commissioners.

The next is Hamiota-Miniota. Report No. 65, September 26, 1938, recommends abandonment of 20 miles of Canadian Pacific line at an estimated saving of \$15,000 a year, and the application is being prepared.

Then comes the Hallboro-Beulah abandonment, report No. 66 of September 26, 1938, recommending the abandonment of 75 miles of Canadian Pacific line with an estimated saving of \$65,000 a year. The application is being prepared.

Hon. Mr. PARENT: Mr. Biggar, before we proceed any further, possibly the answer you may give presently will serve for other similar cases, but you mention

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here, for instance, that twenty-three employees will be displaced if the abandonment goes through. Are they the higher class of labour?

Mr. WALTON: Taking the Hallboro-Beulah line abandonment as an example, there would probably be included one complete train crew, and the balance would be made up of a track-man, a couple of pumpmen, a station agent, and some others.

Hon. Mr. PARENT: Men who have their residence in the locality.

Hon. Mr. HAIG: They live in the stations.

Mr. WALTON: In the locality too mostly.

Hon. Mr. MURDOCK: How many track crews are there in seventy-five miles?

Mr. WALTON: It is a light line. They will have twelve to fifteen mile sections, probably.

Hon. Mr. CALDER: In all these cases you found the two railways agreed on practically an equivalent abandonment?

Mr. WALTON: Yes, pretty well in agreement.

Hon. Mr. HAIG: What becomes of these twenty-three men?

Mr. WALTON: Under the different wage agreements under which they work, they will probably find employment elsewhere, unless they are junior men on the division. Someone will be displaced to the extent of twenty-three men.

Hon. Mr. HAIG: Twenty-three men will be dumped some place.

Mr. WALTON: They will have to fit in some place.

Hon. Mr. HAIG: There is no provision made for those men at all. That is what it amounts to.

Hon. Mr. DANDURAND: That is another question.

Mr. BIGGAR: The next is a new project, the abandonment of thirty-seven miles of Canadian National between Brandon and Maon, "now being studied by the Joint Local Committee."

Hon. Mr. DANDURAND: I see here, "Canadian National section of Joint Local Committee is preparing report for consideration by the Canadian Pacific."

Hon. Mr. HAIG: That is the same thing.

Mr. BIGGAR: The next is an older one, report No. 38-A, which we had before us last year. Louise-Deloraine, abandonment agreed to involving a saving of \$30,000. The new item is, "application made to Board of Transport Commissioners January 25, 1939."

Hon. Mr. DANDURAND: And decision is pending?

Mr. BIGGAR: Yes.

Next is the report of January 25, 1935, No. 39, with respect to the abandonment of one hundred and twenty-two miles of Canadian Pacific between Reston and Wolseley. The new thing is, "application to Board of Transport Commissioners being prepared."

Mr. GROUT: That is one line where there was no comparable Canadian National abandonment in the West, and we suggested that would offset the Bala-Wanup proposal, but that was not satisfactory. We agreed to go on with that although there is not a comparable abandonment on the Canadian National. There is a possible saving of \$104,500 to be divided between us.

Hon. Mr. HUGESSEN: That is not the main line?

Mr. GROUT: No.

Mr. WALTON: That was offered as a suggested offset to Bala-Wanup, but was not considered satisfactory by us. It is a thin traffic line, and in no way comparable to the Toronto-Vancouver line and the situation generally

when you take the Reston-Wolseley line alone, so there is not necessarily an offset to that on the Canadian National. If you take six lines in Manitoba and Saskatchewan which we have just gone over, totalling 167 Canadian National miles and 196 Canadian Pacific miles, considering that they are all light traffic lines the disparity is not very great.

Mr. BIGGAR: "Regina-Moose Jaw." Forty Canadian National miles. The abandonment is not recommended under report No. 67 of October 4 last year.

Hon. Mr. DANDURAND: Report No. 67 recommended against abandonment. Is that by joint agreement of the two railways?

Mr. WALTON: That is right.

Mr. BIGGAR: Next is a proposal for abandonment of an unstated mileage between Saskatoon and Unity.

Hon. Mr. BLACK: Ninety miles, isn't it?

Mr. BIGGAR: There is no mileage given on the C.P.R. statement. The note reads:

Joint Local Committee reports covering seven alternative proposals are now before Joint Co-operative Committee. Communications departments preparing estimates in detail of cost of telegraph line changes involved.

Hon. Mr. BLACK: That is practically the same thing.

Hon. Mr. DANDURAND: What is the outlook? Is there a chance of this abandonment taking place? Ninety miles is quite a length of railway.

Mr. WALTON: We are in hopes that something will be accomplished, but until the reports are in it would simply be a guess to make any statement. We must know what the statements show before we pass judgment.

Mr. BIGGAR: The next is a report that an application to the Board of Transport Commissioners is now being prepared in respect of the abandonment of ten Canadian National miles between Alix and Nevis, agreed to under report No. 41 of January 30, 1935, the expected saving being \$6,100 a year.

The next is a similar situation with regard to the abandonment of ten Canadian National miles and twenty-three C.P.R. miles between Langdon and Beiseker, under report of January 18, 1933, with a saving of \$30,000.

The next is the same thing with respect to the abandonment of twelve Canadian National miles and fifty-three Canadian Pacific miles between Red Deer and Rocky Mountain House, under report No. 33 of October 25, 1934, the annual saving being \$41,400.

Hon. Mr. McRAE: I wish to call attention to the fact that these reports are all dated four or five years ago, and the applications are still in preparation.

Mr. GROUT: These are covered by the explanation I made earlier in the hearing with regard to difficulty we had in drawing up general principles. That has only recently been agreed upon.

Mr. BIGGAR: The next is a proposed abandonment between Bruderheim and Edmonton, twenty-five miles of the Canadian National or thirty-four of the C.P.R. The statement of the C.P.R. is, "Joint Local Committee reports covering various alternatives now being considered by Joint Co-operative Committee."

Hon. Mr. PARENT: There is a note here, "See Note 2, Section E, Miscellaneous—Telegraphs." Where do we find that?

Hon. Mr. HAIG: A little later on, on the fourth page.

Mr. BIGGAR: Next is, "Trelle Junction-Morinville, Carbondale-Egremont," twelve Canadian National miles and thirty N.A.R. That has been agreed upon

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and application to the Board is being prepared. A \$23,100 annual saving is anticipated.

Hon. Mr. McRAE: The thirty miles is joint ownership, is it not?

Mr. GROUT: Yes.

Hon. Mr. BLACK: Did you not get permission for that?

Mr. GROUT: No.

Hon. Mr. BLACK: I thought application had been made for that.

Mr. BIGGAR: Next, "Kamloops-Vancouver territory," involving either two hundred and forty-two Canadian National miles or two hundred and forty-two Canadian Pacific miles. The Canadian Pacific statement on that is that Joint Local Committee reports dealing with the capacity of the lines in this territory are now being considered by the Joint Co-operative Committee.

Hon. Mr. DANDURAND: Would those two hundred and forty-two miles of the Canadian National or the Canadian Pacific be comprised in the passenger pooling arrangement?

Mr. GROUT: They have nothing to do with that.

Mr. WALTON: No. It would not have any effect on that proposal.

Hon. Mr. BLACK: It would be to the joint advantage of both roads?

Mr. WALTON: It is being looked at at the present time with a view to seeing if there is some advantage in a different use of those lines rather than the abandonment of one.

Hon. Mr. McRAE: I may say that they will never abandon one of those lines. If our country is going to grow both lines will be needed. Their movements could be consolidated, but I do not believe the abandonment of either line is in the realm of practicability.

Mr. WALTON: That is the standpoint from which it is being considered.

Hon. Mr. DANDURAND: There was a question last year of one line carrying passengers and the other carrying freight.

Mr. WALTON: That is one of the features being studied now.

Hon. Mr. McRAE: They both go through the Fraser River Canyon.

Hon. Mr. DANDURAND: So you will arrange a pooling arrangement or running rights.

Mr. WALTON: That is what is under study now.

Hon. Mr. HORSEY: Would there be a large saving there?

Mr. GROUT: That has not been developed.

Mr. WALTON: No.

Hon. Mr. DANDURAND: The saving would not be very large.

Mr. WALTON: Not as much as if there was abandonment, but in view of the grades on the different lines there may be considerable saving.

Hon. Mr. McRAE: Before we pass from this, could one of the witnesses give us the total mileage that is under consideration for each railroad, eliminating the two items that have been discarded? That would be the sum total of these figures.

Mr. WALTON: I made a little memorandum to-day for my own information, but it takes in everything since the Canadian National-Canadian Pacific Act of 1933.

Hon. Mr. McRAE: I only want the total of what is on your sheet here, so that we may know the total mileage that is under consideration, and the total savings estimated.

Hon. Mr. ROBINSON: Mr. Walton has a memorandum here.

Hon. Mr. McRAE: I do not want to go back of what we have here. Any of us could add up the figures, but I thought the witnesses might have the addition

already made. I take it that the statements here contain everything that is under consideration, that nothing which is under consideration has been omitted?

Mr. WALTON: This statement shows everything that was dealt with, whether it was advanced or not. Anything that was discussed in the Vice-Presidents' Joint Committee is referred to here.

Hon. Mr. ROBINSON: What is in that statement which you said you made up for yourself?

Mr. WALTON: It is just a statement that I prepared for my own information to-day, showing progress on line abandonments since 1933. Two lines were actually abandoned: Cyr Junction to Edmundston, and Saint Johns to Farnham, 11 C.N. miles and 28 C.P. miles, a total of 39 miles.

My next heading is "Permission to Abandon Obtained." There are two lines: Middleton Junction-Bridgetown, 13 C.N. miles; and Linwood-Listowel, 17 C.P. miles, a total of 30 miles.

My next heading is "Application now before Board." The only application is with respect to the Louise-Deloraine line, 56 C.N. miles; total, 56 miles.

And, lastly, I show the applications that are being prepared. They are:—

		C.N.R.	C.P.R.	N.A.R.
Montfort Jct.	Joliette	32	..	..
St. Canut	Cushing Jct.	23	..	..
Arnprior	Eganville	38	..	..
Dranoel	Medonte . . . . .	..	74	..
Portage	Delta	14	..	..
Oakland	Cawdor	12	..	..
Muir	Gladstone	10	..	..
McGregor	Varcoe . . . . .	..	55	..
Hamiota	Miniota . . . . .	..	20	..
Hallboro	Beulah	75	..	..
Wolseley	Reston . . . . .	..	122	..
Alix	Nevis	9	..	..
Langdon	Beiseker	10	23	..
Red Deer	Rocky Mountain House	13	53	..
Trelle Jct.	Morinville	12	..	..
Carbondale	Egremont . . . . .	..	..	30
		248	347	30

That makes a total of 625 miles. And the totals for the whole thing, that is of mileage actually abandoned, mileage for which permission to abandon has been obtained, mileage for which application to abandon is now before the Board, and mileage with respect to which applications are now being prepared, are: 328 C.N. miles; 392 C.P. miles; 30 N.A.R. miles; a grand total of 750 miles.

Mr. BIGGAR: That is the complete story?

Mr. WALTON: On line abandonment, from the passing of the Canadian National-Canadian Pacific Act up to now.

Hon. Mr. BLACK: Have you further abandonments or co-operative projects in view in addition to these?

Mr. WALTON: We have nothing actually in view, but we shall be developing the matter further. Anything that looks like a reasonable proposition will be developed. But there is nothing actually before us at the moment, that I know of.

Hon. Mr. McRAE: Nothing under study?

Mr. WALTON: No.

Hon. Mr. CALDER: So that out of the original 5,000 miles that were talked about, some action has been taken or is being taken with regard to only 750 miles.

Hon. Mr. DANDURAND: I should like to know from Mr. Grout if the situation from the Canadian Pacific point of view is the same. Have they prepared other projects for abandonment in addition to what is before us?

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[Mr. H. C. Grout.]

Mr. GROUT: Not under co-operation.

Hon. Mr. DANDURAND: But you think you would have something else under unification?

Mr. GROUT: I think so, yes sir.

Hon. Mr. DANDURAND: But you would have to reckon with the Transport Commission.

Mr. GROUT: Of course.

Hon. Mr. McRAE: Do these 750 miles include the 242 miles to Kamloops?

Mr. GROUT: No, sir.

Hon. Mr. DANDURAND: Could Mr. Grout tell us what additional abandonments he would suggest under unification?

Mr. GROUT: I am not talking about unification, sir.

Hon. Mr. DANDURAND: Have you got a list on that?

Mr. GROUT: No. My job is only to deal with co-operation.

Mr. BIGGAR: We now come to C, on Exhibit 100, Joint Freight and Passenger Facilities. The first item is the Ottawa agreement, which was made in October, 1935. Its soundness was doubted and it was referred back to the Joint Local Committee for re-study and report.

Mr. GROUT: The Ottawa joint engine-house.

Mr. BIGGAR: It was referred to in last year's report, exhibit 29, but without mention to the reference back to the Joint Committee.

Hon. Mr. DANDURAND: Mr. Grout says that additional abandonments could be suggested under unification. Would they be exclusively Canadian Pacific abandonments, or Canadian National abandonments?

Mr. GROUT: I have to make the same answer as I made before. I have not been in on that study at all.

Mr. BIGGAR: The next item is the Head of the Lakes joint terminal. This is being studied by a Joint Local Committee.

The next item is the Saskatoon joint passenger station, about which a Joint Local Committee made a report on February 16, 1939, indicating that there was no economy. That is now being studied by the Joint Co-operative Committee. The next is the Edmonton joint passenger station, which is being studied by a Joint Local Committee. And the last item is the Calgary joint passenger station, about which a Joint Local Committee made a report dated February 13, 1939, indicating that there is no economy. This report is being considered by the Joint Co-operative Committee.

Hon. Mr. McRAE: It seems to me that you are omitting in your study a couple of provinces. For instance, you are omitting my own province of British Columbia. Have you not considered consolidating the terminals in Vancouver? The Canadian National has a very handsome terminal there, with two passenger trains daily running into it, I think. The Canadian National has all its offices there, and it does seem to me and most of the citizens of Vancouver that the Canadian Pacific facilities could take care of the requirements. The saving would be very considerable.

Hon. Mr. DANDURAND: To whom is my honourable friend speaking?

Hon. Mr. McRAE: To both witnesses.

Mr. GROUT: That is answered in the last item on that page of the exhibit, Senator, page 3.

Hon. Mr. McRAE: That is a rather indefinite answer. I will be much more specific about it, because a very considerable saving would result from that consolidation. But first, without desiring to encroach on the province of Manitoba, for which my honourable friend Senator Haig speaks, I must say it has

always seemed to me that a tremendous sum could be saved by consolidating the terminals at Winnipeg. Has that been considered?

Mr. WALTON: That was considered in connection with a pooling study that was made some years ago, but the location of the two stations at Winnipeg made consolidation of station facilities very difficult.

Hon. Mr. McRAE: I will admit it would be a big thing, the abandonment of either of those terminals, but I presume the Canadian Pacific is capable of handling all the business that is available there.

Mr. WALTON: But the bringing in of trains from various directions and combining them at the one station, trains not only from main lines, but from the branch lines, would present a very difficult situation. I presume that if Senator Haig pictures the situation there with respect to the branch lines, he will agree.

Hon. Mr. McRAE: Of course, he will agree.

Hon. Mr. HAIG: If you look at the map on the wall here you will see that on account of the lakes the traffic east and west is driven down to the end of a bottle-neck. I do not think one line of railway could handle it there at all.

Hon. Mr. McRAE: The country would save millions by the consolidation.

Mr. BIGGAR: There was a good deal of evidence about that consolidation last year. The difficulty is in bringing all the trains into one station.

Hon. Mr. McRAE: But you cannot tell me it is impossible.

Mr. BIGGAR: I am only pointing out what the evidence was.

Hon. Mr. McRAE: The fact is that the city of Winnipeg, to a man, does not want to give up either of those terminals. But no business company running a railroad would operate both of those big expensive terminals, when one terminal is sufficient to handle all the business.

Now I am going to revert to a matter I know something about. I want to revert to my home town, and I say to both witnesses, frankly, that there is no sane excuse for those two terminals in the city of Vancouver. The maintenance of two terminals means an absolute throwing away of money. They do not render any better service to the public than could be provided by the present terminals of the Canadian Pacific alone. The Canadian Pacific terminals are capable of handling all the business there, and all the business that will be there for many years. Why has not that matter had your study? And if it has had your study, why is it not reported on?

The CHAIRMAN (Hon. Mr. Beaubien): Can either of your gentlemen answer that, Mr. Grout or Mr. Walton?

Mr. GROUT: I think I shall have to leave that to Mr. Walton.

Mr. WALTON: I have no answer to make to that, Senator.

Mr. GROUT: To my knowledge it has not been studied as a co-operative undertaking.

Hon. Mr. HUGESSEN: I want to refer to a similar topic with respect to Montreal. Have co-operative studies been made with a view to the abandonment of the Canadian National passenger terminal on Moreau street and the bringing of the trains into the Place Viger station? To a layman it looks as if that would be a very easy thing to do.

Mr. WALTON: No study has been made of that by the Vice-Presidents' Committee.

Hon. Mr. CALDER: Who decides what your committee will investigate?

Mr. WALTON: We have been studying these various things that are on this list on our own volition.

Hon. Mr. CALDER: Why do you not, of your own volition, deal with this Vancouver situation?

[Mr. N. B. Walton.]

[Mr. H. C. Grout.]

Mr. WALTON: We probably shall, but we have not got to it, in addition to all the other things that are on this list, in a year.

Hon. Mr. McRAE: Hope springs eternal.

Mr. BIGGAR: Perhaps we had better go over the next four items individually. They are at D on Exhibit 100, Running Rights and Haulage of Freight without line abandonment. The first item is St. Johns-White River Junction. On Exhibit 101 the proposal is stated to be that the Canadian Pacific be given running rights over the Central Vermont Railway, and under the heading of "Action taken", it is stated: "C.P. study of this proposal indicates that there is no worth-while economy to be secured".

The next on the Canadian Pacific report is the same kind of question in connection with Sherbrooke and connections with the Boston and Maine and Maine Central, a proposal with regard to the C.P.R. being given running rights over the Canadian National as an alternative to its present route via St. Johnsbury, Vermont. The Canadian Pacific study of this proposal indicates there is no worthwhile economy to be secured.

The next is the same kind of proposal with regard to Kamloops-Hope, the Canadian Pacific to be used jointly for passenger service and the Canadian National jointly for freight. That matter has been dealt with.

The next is the same kind of proposal with regard to Edmonton and Calgary to Vancouver. It is an extension of present co-operative arrangement for movement of grain to cover all freight traffic as well as making Vancouver the point of interchange instead of or in addition to Kamloops. There is a joint local committee report of February 7, 1939, recommending against extension of the present arrangement, and that is being considered by the joint co-operative committee.

Hon. Mr. McRAE: Does that last item, Colonel Biggar, refer to freight traffic over the Canadian National?

Mr. WALTON: No, it is a reciprocal arrangement for the movement of grain that originates, generally speaking, in the vicinity of Edmonton and routes Canadian Pacific short-haul for Vancouver.

Hon. Mr. McRAE: I suppose in this distribution you take into consideration the grades on the C.P.R.?

Mr. WALTON: No, it is car for car exchange.

Hon. Mr. McRAE: You do not take into consideration the grades on the Canadian Pacific and the water grade on the Canadian National?

Mr. WALTON: No, the shorter distance offsets that.

Hon. Mr. McRAE: In a way it would, but it does seem to me freight would be more economically handled in a larger area over the Canadian National water grade than over the present grade of the Canadian Pacific. You do not take that into consideration?

Mr. WALTON: No. This was a reciprocal arrangement car for car.

Hon. Mr. McRAE: That is not making the best of the facilities, is it?

Mr. WALTON: That is a question.

Hon. Mr. McRAE: Where is the question?

Mr. WALTON: I think as long as we can get an exchange of services on a car for car basis and take advantage of the shortest haul, we are going a long way.

Hon. Mr. McRAE: You are going part way. It does seem to me you might go further and take into consideration that the wheat in an extended area could be hauled cheaper on the low grade of the Canadian National than on the present grade of the Canadian Pacific, with mutual advantage.

Mr. WALTON: The movement is from Edmonton to Kamloops, Calgary to Munson, Calgary to Mirror, and from Edmonton to about half way to Calgary.

Hon. Mr. McRAE: You do not take into consideration the ease of haul?

Mr. WALTON: Yes.

Hon. Mr. HORSEY: Which committee initiates these co-operative movements?

Mr. WALTON: We work together.

Hon. Mr. HORSEY: Do you have meetings together?

Mr. WALTON: Yes.

Hon. Mr. HORSEY: What is the idea of forming this joint vice-presidents' committee?

Mr. WALTON: It was thought they would inject a little more impetus into this co-operation. I think that has been the result.

Hon. Mr. HORSEY: It makes more channels for it to go through.

Mr. WALTON: Yes, but I do not think that slows it up.

Hon. Mr. HORSEY: If you have a meeting of the vice-presidents' committee you do not call in the co-operative committee?

Mr. WALTON: We have not done it yet. So far we have had a certain agenda for discussion and gone ahead with that.

Hon. Mr. HUGESSEN: Mr. Walton, have you an estimate of the saving on that 700 miles?

Mr. WALTON: Senator Robinson asked for the equivalent in money of the 750 miles, which was the grand total of the memorandum I read. The money equivalent is \$674,047 per annum.

Hon. Mr. SINCLAIR: Divided between the two roads?

Mr. WALTON: Divided equally between the two lines.

The CHAIRMAN (Hon. Mr. Beaubien): Mr. Walton, last year, if I understood rightly, from the abandonment of lines we have got a saving of about \$1,700,000. Is that right?

Hon. Mr. MURDOCK: That was the pooling of train services.

The CHAIRMAN (Hon. Mr. Beaubien): No, that was the abandonments.

Mr. BIGGAR: All the co-operative arrangements.

The CHAIRMAN (Hon. Mr. Beaubien): Would that \$600,000 be in addition to the \$1,700,000, or would it go into that?

Mr. WALTON: Some of it will because of the fact that a little of it dates back to 1933, but the majority of these major projects will be in addition to those previously considered.

The CHAIRMAN (Hon. Mr. Beaubien): You cannot give us an idea of the amount that will be added?

Mr. WALTON: Out of the 750 miles the only things not included are the 39 plus 30—69 miles.

The CHAIRMAN (Hon. Mr. Beaubien): The whole of the \$600,000 would be in addition.

Mr. WALTON: Yes.

Hon. Mr. MURDOCK: No, that is not right.

Hon. Mr. PARENT: Clarify the situation.

Hon. Mr. MURDOCK: The total would now be about \$2,000,000, would it not? \$1,700,000 plus about \$300,000.

Mr. WALTON: You are speaking of the total of everything accomplished to date?

Hon. Mr. MURDOCK: Under the co-operative arrangements.

Mr. BIGGAR: Or agreed to.

Hon. Mr. MURDOCK: Yes.

[Mr. N. B. Walton.]

[Mr. H. C. Grout.]

Hon. Mr. ROBINSON: Do you apply that to both railroads?

Hon. Mr. MURDOCK: Yes.

The CHAIRMAN (Hon. Mr. Beaubien): Both railways.

Hon. Mr. BLACK: Divide it up half and half. It runs to about \$900,000 to the C.N.R. and about \$900,000 to the C.P.R. Those are the savings up to date as I figure them.

Mr. BIGGAR: Roughly, \$2,000,000.

Hon. Mr. BLACK: Yes. That includes everything which has been agreed upon.

Mr. WALTON: I was going to say I think we could take the figure of approximately \$2,000,000, if we took this list I read from, which of course we are still subject to the Board of Transport Commissioners for approval.

Hon. Mr. BLACK: It does not total quite \$2,000,000. That on a 50-50 basis amounts to \$900,000 to each road.

Mr. WALTON: Yes.

Hon. Mr. BLACK: That is all you have accomplished in five years.

Mr. GROUT: This statement is only in reference to line abandonments. It does not take in other co-operative projects.

Hon. Mr. BLACK: I want to ask a question along that line. We have not heard much to-night about additional pooling of trains.

Hon. Mr. DANDURAND: There is a proposal for a pooling of passenger competitive trains from the Atlantic to the Pacific.

Hon. Mr. BLACK: You mentioned everything you studied in the way of pooling your passenger train services?

Mr. WALTON: Yes. You appreciate, sir, that first item is a very big item. It takes only two or three lines on the statement, but it is very widespread.

Hon. Mr. DANDURAND: What?

Mr. WALTON: Proposed nation-wide passenger competitive train pooling.

Hon. Mr. DANDURAND: Have you any idea what it would comprise? The C.P.R. give us more details of what it involves.

Mr. BIGGAR: That is the one I read. The investigation is thus described:—

The Joint Co-operative Committee was instructed to undertake immediately a study of economics possible of attainment by, and to make recommendations in regard to, pooling of competitive passenger revenues and services through the elimination of duplicate competitive services, including stations and off-line and uptown ticket offices.

That is from Exhibit No. 101.

Hon. Mr. ROBINSON: Are these savings in general made mostly in wages?

Mr. WALTON: A big proportion is bound to be in wages, sir.

Hon. Mr. ROBINSON: Unemployment.

The CHAIRMAN (Hon. Mr. Beaubien): Sixty per cent?

Mr. WALTON: I would think 60 per cent is a fair estimate.

Hon. Mr. BLACK: We have been told we could not effect any savings by amalgamation of terminals at Montreal, Edmonton, Vancouver, or Winnipeg. To the ordinary layman it would look as if we had all the railway terminals in Montreal which the present railway system would warrant. When we discussed that question last year there was no indication that more facilities were required. Now I see from \$12,000,000 to \$15,000,000 is to be spent in Montreal, not to reduce, but to increase facilities. I should like somebody to justify that.

Hon. Mr. DANDURAND: To justify what?

Hon. Mr. BLACK: An expenditure of from \$12,000,000 to \$15,000,000 for additional railway terminal facilities in Montreal.

Hon. Mr. DANDURAND: We are discussing matters which have been studied between the railways since July last, and the question of the terminals in Montreal has not come within the purview of that study.

Hon. Mr. BLACK: It must have come within the purview of a certain group of railway people, otherwise they would not have gone on with that expenditure.

Hon. Mr. DANDURAND: But I say the question to-day is what has been the co-operative action of these two railways since the 1st of July last.

Hon. Mr. BLACK: Then why not co-operate on the terminals in Montreal?

Hon. Mr. DANDURAND: Because Parliament has decided otherwise, and you and myself are bound by Acts of Parliament on this matter. So that in 1929—

Hon. Mr. BLACK: That is not answering my question.

Hon. Mr. DANDURAND: One moment. I said it had not been studied by them; it is not a matter that has come before them, and it does not affect the C.P.R. to-day. The Canadian Parliament has settled as to the Canadian National Railways terminal in Montreal; \$17,000,000 have been spent on that in virtue of the Act. Under Order in Council they were authorized to proceed on that plan, which has been sanctioned by the Board of Trade, the Municipal Council and other institutions of Montreal. The work was suspended because of the crisis, and now they are proceeding under another Order in Council to give some value to the expenditure of \$17,000,000. This has nothing to do with the C.P.R. It is to be the central station of the Canadian National, and Parliament has so decided.

Hon. Mr. BLACK: Orders in Council have been rescinded at times.

Hon. Mr. PARENT: Not after the money has been spent.

Hon. Mr. BLACK: The Government of the day need not have gone on with the expenditure. You are stating the facts. I want to know the necessity. Five years have been spent in saving a few million dollars, and now we are spending I don't know how many million dollars on a terminal in Montreal.

Hon. Mr. DANDURAND: If you want to ask as to that, I will request Mr. Fairweather, who spoke for an hour or two before the Committee of the Commons, to put before us the statement he made.

The CHAIRMAN (Hon. Mr. Beaubien): This Committee has been created for the purpose of ascertaining whether we can make any economies in the running of the Canadian National. If the expenditure that has been made, and justified by legislation, cannot be touched, what is the use of investigating? All these lines we are dealing with have been authorized by legislation. Every error that we made in the past has been sanctioned by legislation. Are we going to stop short now because the Montreal terminal has been sanctioned by legislation?

Hon. Mr. DANDURAND: But \$17,000,000 have been spent, which are non-productive, and it has been decided to proceed towards giving effect to the policy of the Canadian National Railway. They have taken advantage of the fact that 40 per cent, I think it is, of the relief vote will go towards this venture.

Hon. Mr. BLACK: Then the justification for spending \$17,000,000 more is that \$17,000,000 has already been expended.

Hon. Mr. DANDURAND: The president, I think, and Mr. Fairweather and Mr. Walton have during the last week appeared before the Special Committee of the Commons dealing with Canadian National affairs and they can easily repeat their statements or bring the printed record of what they said in the Committee of the other House.

[Mr. N. B. Walton.]

[Mr. H. C. Grout.]

Hon. Mr. MURDOCK: Does the order of reference under which this Committee is working authorize us to investigate the errors or the policies of the Government of the day in authorizing expenditures of money, if it has been regarded as a legitimate method of salvaging the former expenditure of \$17,000,000.

Hon. Mr. BLACK: We are here to inquire into the railway situation, and to find out by what means, if any, we can save the taxpayers of this country some money in the operation of the Canadian National Railway system. That is, primarily, the object of this Committee. Now, if the Government, or any member of the Government or any member of the Canadian National executive can show this Committee that by spending \$15,000,000 or \$18,000,000 in Montreal the Canadian National Railway is thereby going to be enabled to earn more revenue, I will be satisfied. Is the building of that terminal going to bring more traffic to the Canadian National or the C.P.R.? Is it going to bring more trade into Montreal? Is it going to develop more manufacturing in Montreal? Are you going to increase the traffic of the Canadian National Railway by the expenditure of \$17,000,000?

Hon. Mr. MURDOCK: \$12,000,000.

Hon. Mr. BLACK: Did you ever know a government estimate to be lived up to?

The only justification for the expenditure is the production of more revenue, and if it will not produce more revenue it cannot be justified to this country. The only justification for spending money on the people's railway is that it will bring something of value to the people, and the only thing of value you can bring to the people is increased traffic and employment. It is said that 40 per cent will go to the relief of unemployment, but you are going to load the people with interest on \$15,000,000 or \$20,000,000 for all time to come.

Hon. Mr. DANDURAND: I draw attention to this situation. The shareholders of the Canadian National Railways are represented by Parliament, more especially by the members of the House of Commons. The budget and estimates and the annual report of the Canadian National Railways have been submitted to a Special Committee of the House of Commons, as representing the people of Canada who are the shareholders of the company. The officials of the Canadian National Railways have presented their report and have explained why the work is to continue on the terminal. I wonder, therefore, if it is proper for this Committee to start an inquiry on this report which has been placed before the House of Commons Committee, and duplicate the work that has already been done. I shall be glad to lay before this Committee the whole of the statement of every official of the Canadian National Railways which was made to the Special Committee of the House of Commons, or the officials can do so, if you will.

Hon. Mr. BLACK: May I ask whether in that report it was indicated that any particular revenue would come from this.

Hon. Mr. DANDURAND: My honourable friend will find in the report and in the statement made the substantiation, and the explanation and justification.

Hon. Mr. BLACK: I did not find it.

Hon. Mr. DANDURAND: Those statements can be produced here, or, if the Committee decides that it would be proper for it to be repeated word for word, that can be done. I am convinced that the officials had prepared statements which they read. They may have been cross-examined. I am not sure.

It is all very well to say that the amount involved is a large one. Montreal is a very large city, with over 1,200,000 people, and it has raised its voice in favour of this project. I have a list of all the institutions in Montreal agreeing to the sanction of this scheme. Surely my honourable friend does not think an

expenditure of some \$30,000,000 or \$40,000,000 was undertaken without first being seriously examined. It was examined, and my honourable friend voted for the Act. It passed the two Houses. \$17,000,000 has been spent on this scheme, and the Canadian National decided in 1937 that things appeared to be better, and that they should take advantage of that expenditure.

It is not for me to go into the details, but if my honourable friend and the Committee desire the officials and directors of the Canadian National Railways to appear before this Committee so that they may be examined as to the expenditure, there is no difficulty as to that; but as I have said before, all that is in printed form and can be produced before this Committee.

Hon. Mr. BLACK: That is all very satisfactory as far as it goes, but I shall have something to say about that expenditure in another place at an appropriate time. Conditions to-day are entirely different from what they were when the project was first thought of, so entirely different that in the mind of the ordinary individual there does not seem to be any justification.

Hon. Mr. DANDURAND: I ask my honourable friend to read what took place in the other Committee.

Hon. Mr. McRAE: I do not think we want to go into the question of the Montreal terminal here.

Hon. Mr. CALDER: Hear, hear.

Hon. Mr. McRAE: Confidence has been expressed in the possibility of savings being made under co-operation. I have no confidence in that at all. It has been said that we have passed the crisis. I think we are just in the midst of it, and it does seem to me an affront to co-operation to go on with the new terminal at this time when we are in the midst of an effort to solve the railway problem.

Hon. Mr. DANDURAND: We passed all this in 1929.

Hon. Mr. McRAE: In business if we put \$17,000 into a hole in the ground and find we made a mistake, we do not put another \$17,000 in. We quit, and fill up the hole. And that is pretty sound in the railway business too. We are going to have a lot of holes to fill in on this before we are through.

Hon. Mr. DANDURAND: I would suggest that before you make up your mind definitely you examine into the question as it was explained in the House of Commons committee.

Hon. Mr. McRAE: By your argument to the board of trade and other organizations in Montreal is exactly along the same lines as that of my friend Senator Haig and other senators from Manitoba with respect to consolidation of the Winnipeg terminal. It is a matter of local interest. But we shall never settle this problem on the basis of local interest. It has got to be dealt with in a big way. We have got to do what we think is right for the country, for Canada as a whole. That will displease a lot of people, but in the end it is what will have to come. Local boards of trade will want certain things kept on, but they do not represent the whole of Canada. If I may be permitted to say so, what is being done in Montreal is an affront to co-operation, particularly at this time when we are trying to develop co-operation, in which, frankly, I have no confidence whatever.

Hon. Mr. DANDURAND: I think if you will go into the matter you will find that the possibility of co-operation on this, as between the Canadian Pacific point of view and the Canadian National interest, was exhausted a long time ago.

Hon. Mr. McRAE: Then you give up co-operation, so far as Montreal is concerned?

[Mr. N. B. Walton.]

[Mr. H. C. Grout.]

Hon. Mr. DANDURAND: I speak of the needs of Montreal which we are expecting to be met, and which the Canadian National can justify and will justify in your eyes, I am quite sure.

Hon. Mr. McRAE: Looking at Montreal in the same way as I look at my own city of Vancouver, it did seem to me, of course, that the Canadian National station was no longer suitable, but I felt that the Canadian Pacific station was sufficient to serve both roads.

Hon. Mr. DANDURAND: But that idea has been rejected absolutely.

Hon. Mr. McRAE: We are not through with co-operation yet, are we?

Hon. Mr. DANDURAND: That was rejected in the Palmer report, and Parliament acted upon that. And some \$17,000,000 has been spent.

Hon. Mr. McRAE: And you are going to throw away \$17,000,000 more. Let us see if we cannot work this thing out.

Hon. Mr. DANDURAND: That is settled, and this is not the moment to say that Windsor street station should be a joint terminal. We will not reopen that question in 1939, surely.

Hon. Mr. CALDER: As a matter of fact, we are only pawing the air, that is all. As Senator Dandurand has stated, the Government of the country have taken a certain stand, as a matter of policy, and they have decided that this work shall go ahead. The money for it is in the estimates, and the Government have a majority in the other House. The expenditure will be approved there, and it will not be thrown out of the Senate.

Hon. Mr. MURDOCK: And we have nothing to do with the spending of money.

Hon. Mr. CALDER: What is the use of discussing it? We might as well accept that feature of the situation as a matter of settled policy, at least for the time being. Nothing can be done about it. But we have two witnesses before us. At any rate, they have heard a very interesting discussion. The question we have to ask them is whether or not they have considered this matter from the co-operative standpoint, and whether they have done anything about it. That is all they can deal with.

Hon. Mr. MURDOCK: By all means let us have that.

Hon. Mr. DANDURAND: We are dealing with co-operative schemes that have been discussed since the first of July. This Montreal terminal question has not come up since the 1st of July, because it was discussed and settled by Parliament in 1929.

Hon. Mr. CALDER: But on the other hand, if my reading is correct, both railway companies have approached the question of a joint terminal in Montreal.

Hon. Mr. DANDURAND: Oh, no.

Hon. Mr. CALDER: I thought they had prepared estimates.

Hon. Mr. BLACK: It was discussed last year, Senator Dandurand, in this committee.

Hon. Mr. CALDER: I will ask the question of the witnesses. Has your co-operative committee at any time had under consideration the question of a joint terminal at Montreal?

Mr. WALTON: No, sir. We have not, and it is not on this list for that reason.

Hon. Mr. CALDER: Do you answer the same way, Mr. Grout?

Mr. GROUT: The Canadian Pacific has never participated in any study of anything in connection with the new tunnel terminal station. The Joint Co-operative Committee did consider the use of Windsor station to take care

of passenger traffic on both lines, and that was reported on, I think, before this committee last year.

Hon. Mr. BLACK: Yes, that the question of using Windsor street station had been considered.

The CHAIRMAN (Hon. Mr. Beaubien): The resolution that created this committee is very wide. I do not need to read it. We have been asked to try to ascertain some means by which we can relieve the country of a very serious railway condition, that is all. I understand that we have gone through virtually the whole history of our railways since 1919. That is a long time ago. We have discussed a whole lot of lines that were sanctioned by Parliament over a period of years. I remember one year when there was a bill for 25 lines. We stopped it in the Senate, but they all came in afterwards and we passed those lines.

Hon. Mr. DANDURAND: And many of them are on the map.

Hon. Mr. HAIG: In red.

Hon. Mr. DANDURAND: Good feeders, perhaps.

The CHAIRMAN (Hon. Mr. Beaubien): We have not hesitated to inquire whether these lines are efficient or not, whether we can find some means of economizing on the operation of them. Now we are face to face with the terminal at Montreal, and we are told we cannot touch that because legislation has been passed about it, because the Government have decided to do such-and-such a thing. If we go on that principle we might just as well disregard all the work we have done up to now, because everything we have discussed has been sanctioned by law. Just reflect for a moment. We have spent two and a half-hours here to-night trying to scrape together a possible \$600,000 of economies, or half of that, but when we come to this matter of a \$12,000,000 expenditure that is going on in Montreal—it is not spent yet, not lost yet—we are told we cannot inquire into it, cannot inquire whether it might be possible to save two or three or four or five millions out of that. What is the reason? Is it because the Board of Trade of Montreal approved of that in 1921?

Hon. Mr. DANDURAND: 1929.

The CHAIRMAN (Hon. Mr. Beaubien): Everything that has been done by the railways has been approved. Look at the map.

Hon. Mr. MURDOCK: There is another important feature—

The CHAIRMAN (Hon. Mr. Beaubien): I will finish, and I will not allow interruption.

Hon. Mr. ROBINSON: I thought you were a chairman.

The CHAIRMAN (Hon. Mr. Beaubien): I am a chairman, but unfortunately my friend has put a question to me, and that opened an attack. I am going to conclude. It seems to me that it would be very difficult for us to justify to the public a stand of that kind, a refusal to investigate this matter. But I think it would be very unjust to hear the Canadian Pacific only on the point and not allow the Canadian National to speak in justification of their conduct.

Hon. Mr. DANDURAND: I would not allow the Canadian Pacific to poke its nose into the Canadian National terminal in Montreal. That concerns the interest of the Canadian National Railways system and not the Canadian Pacific railway.

The CHAIRMAN (Hon. Mr. Beaubien): It will not be the Canadian Pacific who are poking their nose in; it will be this Committee, representing the nation, that will poke its nose into its own business.

Hon. Mr. MURDOCK: Mr. Chairman, surely these are brand new regulations being promulgated by the Chairman of this Committee, who for the last two

[Mr. N. B. Walton.]

[Mr. H. C. Grout.]

years has been insistently desiring to press the claim for the unification of the railways.

The CHAIRMAN (Hon. Mr. Beaubien): Yes.

Hon. Mr. MURDOCK: Now, there is something more than a resolution from a board of trade involved in the Montreal terminal, and that is a system of government that has been in effect ever since Confederation, whereby the representatives of the people have the right to authorize the expenditure of money, and the regulations of the Senate provide, in effect, that it is none of our business. But my honourable friend—

Hon. Mr. HAIG: What is your authority for that last statement?

Hon. Mr. MURDOCK: Read the Rules and Regulations and you will find out what authority we have with money bills.

Hon. Mr. HAIG: We can throw them out, if we wish. We can reject money bills.

Hon. Mr. MURDOCK: Yes, we can reject them. But when a money bill is passed it is the elected representatives of the people who accept the blame or the credit.

Hon. Mr. SINCLAIR: And initiate the proposals.

Hon. Mr. MURDOCK: Yes, I realize that my honourable friend, one of the chairmen of this Committee, who has been in season and out of season, day and night, pressing the claim for unification, would be glad to have the Government say "Oh, yes, make Windsor street terminal the union terminal for Montreal". If my honourable friend knew more about the characteristics of Montreal and the impossibility of making Windsor street station a union terminal, he would not be arguing that way. I say right now that it is a physical impossibility for Windsor street station to be a union station, without an enormous expense and a great deal of extra mileage in order to run Canadian National trains into that station.

My friend Senator Black asks: Are we going to get any additional revenue? Is that, in this day and age, all that is involved. Is my honourable friend not ready to admit that the low-grade lines of the Canadian National right down through an important part of Montreal are out of date, that they have got to be raised, and that it will be a money-saving undertaking, in many respects, to raise those tracks? They have got to be put up on stilts over that viaduct that is already prepared for.

My friend the Chairman is insistent that we should take that into consideration and stop what is going on. What for? For the only purpose, it seems to me, of bringing about unification, of working towards unification. Personally, I think our friend the Chairman has gone a little too far in pressing some of his views before this Committee, and insisting that we do this, that, or the other thing.

The CHAIRMAN (Hon. Mr. Beaubien): Well, gentlemen, I just want to say one thing—

Hon. Mr. McRAE: Mr. Chairman, I move we proceed.

Hon. Mr. BALLANTYNE: Mr. Chairman, I am not a member of the Committee, but may I be allowed to ask Senator Dandurand a question? I heard him say that the Board of Trade of Montreal approved this scheme. I think he had reference to 1929.

Hon. Mr. DANDURAND: Yes.

Hon. Mr. BALLANTYNE: I do not think they have approved this last scheme, have they?

Hon. Mr. DANDURAND: It has not been submitted to them again.

Hon. Mr. BALLANTYNE: I did not think so.

Hon. Mr. DANDURAND: But if they studied what took place in 1929 they would find that the Windsor station idea was discarded as something that could not stand examination. A very eminent engineer from London, who came here at the request of the Government, made a complete study of it and discarded the Windsor street station as being an impossibility.

Hon. Mr. HAIG: Might I ask Senator Dandurand a question, Mr. Chairman?

The CHAIRMAN (Hon. Mr. Beaubien): Certainly.

Hon. Mr. HAIG: Do I understand that about \$17,000,000 up to date has been spent?

Hon. Mr. DANDURAND: Yes.

Hon. Mr. HAIG: And from \$12,000,000 to \$15,000,000 is to be spent?

Hon. Mr. DANDURAND: Yes. Not to-morrow, but over two or three years.

Hon. Mr. HAIG: Will that complete the undertaking?

Hon. Mr. DANDURAND: It is a limited or reduced scheme, I think, based upon the general one.

Hon. Mr. HAIG: I do not want to go into what the House of Commons Committee considered. I should like to have somebody from the C.N.R., say the engineers and president, tell us that under the new scheme if we spend \$12,500,000 we shall have a complete station in Montreal. I do not want to see here what happened in Saskatoon. There they spent about \$3,000,000 on a hotel which does not pay for elevator service.

Hon. Mr. DANDURAND: Who among the Canadian National officials here can explain the situation and the scheme that will be developed under the \$12,500,000 vote that has been mentioned?

Hon. Mr. McRAE: I think Mr. Fairweather ought to explain that. He did so before the committee.

Hon. Mr. HAIG: The trouble is his are all estimates. He paints a dandy picture. I want a man who is an engineer and will stake his reputation on the fact that that expenditure of \$12,500,000 will give us a complete station in Montreal.

Hon. Mr. PARENT: No man can do that.

Hon. Mr. DANDURAND: Can you answer, Mr. Fairweather?

Mr. FAIRWEATHER: I can speak to that. In doing so I am not giving my estimate, but the estimate of the chief engineer of the Canadian National Railway Company.

Hon. Mr. HAIG: Let him come and do it.

Mr. FAIRWEATHER: Unfortunately Mr. C. B. Brown is ill.

\$12,600,000 is estimated by the chief engineer as being sufficient to provide the passenger facilities in the central terminal area, the viaduct approach to the Victoria bridge, the connection from that viaduct to the Turcotte yard, the electrification which is necessary for the operation of the station, and the electric locomotives which are necessary also for that purpose, and in addition the new coach yard which will be necessary at Pointe St. Charles. In other words the \$12,600,000 is the estimated total cost of the changes in the facilities necessary to provide passenger facilities and all other accompanying auxiliary services at the present level of traffic and as envisaged in the reasonably near future. If and when substantial increases in traffic come, there would necessarily have to be some additional expenditure.

Hon. Mr. MURDOCK: What about the Moreau street station at the east end?

Mr. FAIRWEATHER: The Moreau street station as a station would remain.

Hon. Mr. PARENT: If you can call that a station. It is not worth anything to-day.

[Mr. S. W. Fairweather.]

Mr. FAIRWEATHER: The trains which now operate into Moreau street could operate into the new station.

Hon. Mr. HAIG: What is the \$50,000,000 estimate to cover?

Mr. FAIRWEATHER: The difference between the two estimates is that the present plan is on a substantially modified basis and provides for the actual requirements under present day conditions. The \$50,000,000 estimate was on a much larger scale and provided certain facilities, which are not considered as necessary under present day conditions. The station is not so large, has not as many station tracks in it, and it is on a more modest scale than the original plan; also, certain belt lines are omitted from the revised plan.

Hon. Mr. DANDURAND: Who was heard before the Special Committee of the House of Commons on this matter explaining the situation?

Mr. FAIRWEATHER: I was there with the president. I gave the particular evidence with regard to the Montreal terminals.

Hon. Mr. DANDURAND: All that has been printed?

Mr. FAIRWEATHER: Yes.

Hon. Mr. HUGESSEN: I saw some very good maps in the Commons Railway Committee room.

Mr. FAIRWEATHER: Yes. I am authorized by the president to say that if the committee desire those maps put up, it will be done.

Hon. Mr. CALDER: It seems to me, Mr. Chairman, if we are to go into this matter we ought to do it systematically. I do not take the view that this committee should not consider the question, but I do say this. No matter how much we consider or what conclusion we may come to, the expenditure will go on, because Parliament is dealing with the matter, and I have not any doubt in my mind as to what Parliament will do in so far as the vote is concerned. On the other hand, I am inclined to take the view that both the chairmen and Senator Black have taken. The purpose of this committee is to ascertain, if possible, how economies may be brought about, and there is no reason in the world why we should not consider this question, although at the present time it does not look as if there was any possibility of anything being done to stop these expenditures. But we must remember that while the Government have the power to carry this vote through Parliament, they have got to go to the people.

Hon. Mr. DANDURAND: They know it.

Hon. Mr. CALDER: They know it, yes; and we should know it, and we have a duty to the public to inquire into the fact as to whether or not this expenditure should have been saved. That is the duty, I say, of this committee. Now, if we are to go into it I should like to see Mr. Meighen here. I am sure he is intensely interested. And if we are to go into the question of the Montreal terminals at length, we should do so systematically and have the proper witnesses here at the time so that we may consider the question in all its bearings, no matter how long it may take.

Hon. Mr. DANDURAND: Do you suggest we should reopen the whole question that was decided in 1929 as to the—

Hon. Mr. CALDER: I do not put any stock in that argument at all. The conditions now as compared with those in 1929 are entirely different. Then we were at the peak of prosperity, we thought nothing of passing around millions upon millions of dollars. But that is not the situation today. Because Parliament in 1929, at the height of our prosperity, when we had all kinds of money, decided to go ahead with that terminal, and because, incidentally, the Board of Trade of Montreal backed them up, that is no reason why we should not change our view as to what is the proper thing to do at this time

when conditions are entirely different. Do not make any mistake. If things break loose in Europe—and we are all anxiously watching the developments every day—what will be the situation three or five years from now? Well, I think we all have at least some little conception of what conditions are going to be, not only in this country but in every country throughout the world. There will then be no talk of any expenditure of this kind, none at all.

My point is, if we are to go into this question of the Montreal terminal facilities, and the justification for proceeding with this expenditure, then we should do so systematically, with proper witnesses to give us the evidence we require and, I repeat, I should like to see Senator Meighen present when that takes place.

Hon. Mr. BLACK: I would suggest we leave this matter stand for further consideration. Perhaps in this next item—

Hon. Mr. HAIG: I think we ought to adjourn. It is getting late.

Hon. Mr. BLACK: Perhaps this \$15,000,000 put into the Montreal terminals may be saved by the elimination of duplication of telegraphs and that kind of service. Perhaps that can be demonstrated.

Hon. Mr. McRAE: I think we can finish it all in a few minutes. I should like to ask a few questions about the express and ticket offices, and that would complete their testimony.

Mr. BIGGAR: The only remaining two items on Exhibit No. 101 are the last two under the heading of Miscellaneous. The first is in regard to telegraphs. The statement is that the possibility of territorial withdrawals by one company where duplicate telegraph offices exist, or alternatively the establishment of joint telegraph offices, is now being studied. I am reading from the exhibit.

Hon. Mr. McRAE: You have been considering that for five years. What progress have you made?

Mr. WALTON: On the general question of embodying the two telegraph companies we have not been able to get anywhere because of legal and other questions involved. They are simply beyond us.

Hon. Mr. McRAE: You have to report no progress?

Mr. WALTON: Yes.

Hon. Mr. McRAE: Have you made any progress with respect to express possibilities?

Mr. WALTON: No.

Hon. Mr. McRAE: Now, city ticket offices—any progress there?

Mr. WALTON: They are a part of the passenger train pooling study, which was the first item on this list.

Hon. Mr. McRAE: That is still undetermined. We had that up three years ago. There is no progress there.

Mr. WALTON: That is right.

Hon. Mr. McRAE: You still maintain that swell office on Fifth Avenue, New York?

Mr. WALTON: Yes.

Mr. BIGGAR: The remaining item is in regard to the Vancouver hotel, and it is simply a report. There is an agreement, dated July 28, 1938, between the two railways, by which the Canadian Pacific will close its hotel when the new Canadian National hotel is completed, and the latter will be operated jointly by the two railways through a new company.

Hon. Mr. McRAE: The joint hotel will be operated on the 25th of May.

[Mr. N. B. Walton.]

[Mr. H. C. Grout.]

Hon. Mr. BLACK: Can the two witnesses indicate what may be saved by the elimination of duplication in telegraphs? There are, we admit, legal difficulties, but they can be overcome if a real effort is made. Can we get any information along that line?

Mr. BIGGAR: A million dollars.

Hon. Mr. BLACK: No effective work has been done so far towards that?

Mr. WALTON: No, sir.

Hon. Mr. DANDURAND: Have you anything else, Mr. Walton?

Mr. WALTON: No, sir.

Hon. Mr. DANDURAND: Have you, Mr. Grout?

Mr. GROUT: No, sir.

Hon. Mr. DANDURAND: I had a conversation with our counsel, Mr. Biggar, and told him that we had the Banking and Commerce Committee tomorrow which would occupy us the whole morning, and he has an engagement elsewhere, so we had agreed that we should adjourn to Tuesday next.

Hon. Mr. HORSEY: Tuesday morning or Tuesday evening?

Hon. Mr. DANDURAND: The Senate will sit on Monday evening, so we will be in a position to have a meeting of the Committee on Tuesday.

Now, we have not decided whether we will ask the Canadian National railway officials to give us the statement, either orally or in printed form, which they made before the Special Committee of the House of Commons in connection with their annual report, which includes the amount which is being spent on the continuation of that work called the Montreal Terminals. Should we ask the officials who appeared before the Committee of the Commons to appear here on Tuesday or shall we put into the record what has already been stated in the House of Commons Committee?

Hon. Mr. BLACK: I suppose they have nothing more to tell us. Have they any additional information to give us?

Hon. Mr. DANDURAND: I do not know.

Hon. Mr. McRAE: Mr. Chairman, I do not think it is necessary for us to have these officials here, because if their evidence is already in print that should be ample for us.

Hon. Mr. DANDURAND: Then we could ask our secretaries to obtain copies of that evidence for distribution among the members of the Committee.

Hon. Mr. McRAE: That would be very good.

Hon. Mr. DANDURAND: Then we could decide whether we need any more information.

Hon. Mr. BLACK: If we want further evidence, we can ask for it.

The CHAIRMAN (Hon. Mr. Beaubien): The only question is whether the building of a joint station will save money. The purpose of this investigation is to find whether we can save money.

Hon. Mr. DANDURAND: When my honourable friend reads the statement I think he will find that that project has been set aside absolutely—the question of a joint station—

The CHAIRMAN (Hon. Mr. Beaubien): Are you going to have ex parte evidence on that point?

Hon. Mr. DANDURAND: If my honourable friend thinks that we should go into this question with experts, and examine into the possibility of using the Windsor Station as a central station, I am afraid we will be here for some months after Their Majesties' departure from Canada.

Hon. Mr. HAIG: I think the suggestion that we should get this evidence is a good one. If we are not satisfied after looking it over, we can say so, and can hear further evidence.

The CHAIRMAN (Hon. Mr. Beaubien): From the C.P.R.?

Hon. Mr. DANDURAND: Then you open the struggle between the Canadian Pacific and the Canadian National as to the advisability of making use of the Windsor Station or of going elsewhere.

Hon. Mr. BLACK: I do not take that view at all. It was not in my mind that we were going to use the Windsor Station for a terminal. The question is just one of whether the expenditure is justified at the present time. I do not think we can get any further. The Government have made up their minds to spend the money, and we in this Committee cannot upset the Government, and we are not going to change their views. All I want to do is to express my own opinion on the usefulness or otherwise of that expenditure.

Hon. Mr. DANDURAND: There is something in that statement which is not quite accurate. It is the Board of the Canadian National Railways that has decided to proceed with the development of the terminal, and they have submitted their decision to the Minister of Railways.

Hon. Mr. BLACK: I just used your own expression when I said the Government had decided.

Hon. Mr. DANDURAND: It has agreed to the request of the Board of the Canadian National Railways and has said that it would contribute its share towards the continuation of that work by giving the amount of money that will be required for the labour. Everyone will admit that if we are going to spend money in public works for relief we should at least do so in such a way as to benefit the country.

The Committee adjourned until Tuesday, April 25 at 10.30 a.m.

EXHIBIT No. 99

THE ALL-CANADIAN CONGRESS OF LABOUR

Le Congress Canadien du Travail,

230 Laurier Avenue West, Ottawa, Canada,

Ottawa, April 13, 1939.

Colonel O. M. BIGGAR, K.C.,
Victoria Building,
Ottawa, Ontario.

Dear Colonel BIGGAR:

The remark made by you in the course of Mr. Burford's examination before the Committee on March 30th, and reported at page 164 of the proceedings, to the effect that I had made it clear in my evidence that the All-Canadian Congress of Labour was "in favour of something in the nature of Communism" may, I fear, give rise to a misunderstanding which I should be glad to have corrected.

The term "Communism" is frequently used as implying violent revolutionary action and dictatorship such as is in effect in Russia. To anything of this kind the Congress is unalterable opposed, as indeed I indicated in my evidence. The actual proposals made by the Congress are accurately and fully set out in the submission I made to the Committee, for example at page 150.

Yours very truly,

(Signed) NORMAN S. DOWD,

Secretary-Treasurer.

EXHIBIT No. 100

CANADIAN NATIONAL RAILWAYS

CO-OPERATIVE PROJECTS BETWEEN THE CANADIAN NATIONAL AND CANADIAN PACIFIC RAILWAYS—CHANGE IN STATUS SINCE JULY 1, 1938

A—PASSENGER TRAIN POOLING:

Memorandum submitted by C. N. Section of Vice-Presidents' Committee to the C. P. Section, October 6, 1938, containing suggestions as to the basis of a nation-wide pool of competitive passenger train services and on 16th March, 1939, C. P. Section of Vice-Presidents' Committee accepted C. N. suggestion that nation-wide pool of competitive passenger train services be studied and reported on by Joint Co-operative Committee.

B—LINE ABANDONMENTS:

Province	Between	Report No.	Mileage		Action taken	Estimated annual joint net savings	Estimated number of employees displaced
			C.N.	C.P.			
Nova Scotia.....	Middleton Jct.—Bridgetown.....	34	3	.....	Application made to Board of Transport Commissioners Aug. 11, 1938. Decision pending.....	\$16,800	8
Quebec.....	Fresniere-Papineau.....	60	12	.....	Account increased ski specials, necessity additional signal installations being studied Fresniere-Papineau.....	25,040	20
Quebec.....	Joliette-Montford Jct.....	.....	32	.....	Applications to Board of Transport Commissioners being prepared.....	.....	.....
Quebec.....	Ste. Therese—St. Eustache.....	62	.....	6	Agreement data disclosed that this abandonment might better be made as an exclusive C.P. abandonment. Report has been withdrawn.....	9,400	3
Quebec.....	St. Canut—Cushing Jct.....	47	23	.....	Application to Board of Transport Commissioners being prepared for 25 miles.....	24,000	10
Ontario.....	Arnprior—Eganville.....	29 A	38	.....	Report No. 29 A (Sept. 21, 1938) replacing Report No. 29 recommends C.N. withdrawing from territory Arnprior—Eganville. Application to Board of Transport Commissioners being prepared.....	104,000	20
Ontario.....	Shannonville—Darlington.....	.....	.....	82	Joint Co-operative Committee reported to Joint Vice-Presidents' Committee that, although substantial economy to be obtained, C.P. does not consider net economy sufficient to incur resulting disadvantages.	.....	.....

Ontario.....	Dranoel—Medonte.....	61	74	Application to Board of Transport Commissioners being prepared.....	61,300	23
Ontario.....	Linwood—Listowel.....	35	17	Application made to Board of Transport Commissioners Aug. 11, 1938. Approved by Order dated March 8, 1939.....	13,000	6
Ontario.....	St. Marys—Ingersoll North.....		25	On Oct. 13, 1938, C.N. Section of Joint Co-operative Committee suggested study. C.P. Section did not consider feasible.		
Ontario.....	Woodstock—Windsor.....		138	Joint Local Committee made report on November 28, 1938, which is under study by Joint Co-operative Committee.		
Ontario.....	North-Bay—Yellek.....	55	8	These savings were predicated upon the use of existing T. & N.O. trackage for connections in North Bay. T. & N.O. have since advised this trackage cannot be made available, thereby reducing the economy. Cost of new alternate connections being developed.		
Ontario.....	Bala—Wanup.....	30	141	C.N.R. agreeable to abandonment if some comparable abandonment of a portion of C.P.R. main line can be agreed to. (See Reference to Shannonville—Darlington and Woodstock—Windsor).....	37,200	18
Ontario.....	Nipigon—Current Jet.....		63	On October 6, 1938, C.N. Section of Vice-Presidents' Committee suggested this project be studied. Now under study by Joint Local Committee.	101,900	50
Ontario.....	Twin City—James.....		47	On October 6, 1938, C.N. Section of Vice-Presidents' Committee suggested this project be studied. Now under study by Joint Local Committee.		
Manitoba.....	Winnipeg—Morris.....		33 or 34	On January 6, 1939, C.N. Section of Joint Local Committee forwarded reports to C.P. Section of Joint Local Committee covering the abandonment of either C.N. or C.P. lines between Winnipeg and Morris.		
Manitoba.....	Beach Jet.—E. Selkirk.....	36	15	On August 18, 1938, Joint Vice-Presidents' Committee agreed not to proceed with this project account changed conditions.....	\$ 11,200	6
Manitoba.....	Portage—Delta..... Oakland—Cawdor..... Muir—Gladstone.....	63	36	Report No. 63 (Sept. 21, 1938) recommends these abandonments. Application to Board of Transport Commissioners being prepared.....	34,500	12
Manitoba.....	McGregor—Varcoe.....	64	54	Report No. 64 (Sept. 22, 1938) recommends this abandonment. Application to Board of Transport Commissioners being prepared.....	45,000	18

CANADIAN NATIONAL RAILWAYS
CO-OPERATIVE PROJECTS BETWEEN THE CANADIAN NATIONAL AND CANADIAN PACIFIC RAILWAYS—CHANGE IN STATUS SINCE JULY 1, 1938

Province	Between	Report No.	Mileage		Action taken	Estimated annual joint net savings	Estimated number of employees displaced
			C.N.	C.P.			
Manitoba.....	Hamiota-Miniota.....	65	.....	20	Report No. 65 (Sept. 26, 1938) recommends this abandonment. Application to Board of Transport Commissioners being prepared.....	15,000	16
Manitoba.....	Hallboro-Beulah.....	66	75	.....	Report No. 66 (Sept. 26, 1938) recommends this abandonment. Application to Board of Transport Commissioners being prepared.....	65,000	23
Manitoba.....	Brandon-Maon.....	.....	37	.....	C.N. Section of Joint Local Committee is preparing report for consideration by the Canadian Pacific.		
Manitoba.....	Louise-Deloraine.....	38 A	56	.....	Application made to Board of Transport Commissioners January 25, 1939. Decision pending.....	30,000	20
Man. & Sask.....	Reston-Wolseley.....	39	.....	122	Application to Board of Transport Commissioners being prepared.....	104,500	36
Saskatchewan.....	Regina-Moose Jaw.....	67	40	.....	Report No. 67 (October 4, 1938), recommended against abandonment.		
Saskatchewan.....	Saskatoon-Unity.....	.....	.....	90	Joint Local Committee reports covering seven alternate proposals are now before Joint Co-operative Committee who have requested Communications Departments to supply joint estimate in detail of cost of telegraph line changes involved. See Note 2, Section E, Miscellaneous-Telegraphs.		
Alberta.....	Alix-Nevis.....	41	10	.....	Application is being prepared for submission to the Board of Transport Commissioners.....	6,100	5
Alberta.....	Langdon-Beiseker.....	40	10	23	Application is being prepared for submission to the Board of Transport Commissioners.....	30,000	11
Alberta.....	Red Deer Jct.-Red Deer.....	.....	6	.....	Application is being prepared for submission to Board of Transport Commissioners.....	41,400	22
	Forth-Rocky Mountain House.....	33	6	53			
Alberta.....	Bruderheim-Edmonton.....	.....	25	or 34	Joint Local Committee reports covering various alternate proposals now being considered by Joint Co-operative Committee. See Note 2, Section E, Miscellaneous-Telegraphs.		

Alberta.....	Trele Jet-Morinville. Carbondale-Egremont.....	12 N	AR 30	On November 26, 1938, N.A.R. and C.N.R. agreed to these abandonments. Application is being prepared for submission to Board of Transport Commissioners.....	\$ 23,100	13
British Columbia.....	Kamloops-Vancouver.....	242	or 242	Joint Local Committee reports dealing with capacity of each of the lines now being considered by Joint Co-operative Committee.		
	23A			On March 1, 1939, agreement reached by Joint Vice-Presidents' Committee on simplification of general principles governing line abandonments where line of the continuing company is to be used jointly by company whose line is abandoned.		
C--JOINT FREIGHT AND PASSENGER FACILITIES:						
Ontario.....	Ottawa.....	52		On account of C.N. view that greater signal protection than contemplated by the report was required this matter has been referred back to Joint Local Committee for re-study and report.....	\$ 38,200	23
Ontario.....	Head of the Lakes Terminals.....			Joint Local Committee is preparing a report, including separate study of C.N.R. Neebing Yard.		
Saskatchewan.....	Saskatoon.....			At request of C.N. Section of Vice-Presidents' Committee, Joint Local Committee is re-studying possibility of union passenger terminal.		
Alberta.....	Edmonton.....			At request of C.N. Section of Vice-Presidents' Committee, Joint Local Committee is studying possibility of union passenger terminal.		
Alberta.....	Calgary.....			At request of C.N. Section of Vice-Presidents' Committee, Joint Local Committee is studying possibility of union passenger terminal.		

CANADIAN NATIONAL RAILWAYS

CO-OPERATIVE PROJECTS BETWEEN THE CANADIAN NATIONAL AND CANADIAN PACIFIC RAILWAYS—CHANGE IN STATUS SINCE JULY 1, 1938

D—RUNNING RIGHTS AND HAULAGE OF FREIGHT WITHOUT LINE ABANDONMENT:

Province	Location	Description	Action taken
Que. & Vermont.....	St. Johns-White River Jct.....	C.P.R. to have running rights over Central Vermont Railway St. Johns-White River Jct. to effect economy in train operation by making connections with Boston and Maine Railway at White River Jct. as a substitute for Wells River.	C.N. Section of Vice-Presidents' Committee suggested this project be studied. C.P. Section of Vice-Presidents' Committee does not consider it worth while.
Que., Vermont & Maine.....	Sherbrooke to connections with B. & M. & Maine Central.	C.P.R. to have running rights over Canadian National to effect economy in train operation as compared with present C.P.R. route to St. Johnsbury, Vt.	C.N. Section of Vice-Presidents' Committee suggested this project be studied. C.P. Section of Vice-Presidents' Committee does not consider it worth while.
B.C.....	Kamloops-Hope.....	Canadian Pacific line to be used jointly for passenger service and Canadian National line to be used jointly for freight service.	C.N. Section of Vice-Presidents' Committee suggested this project be studied. C.P. Section of Vice-Presidents' Committee drew attention to fact that in so far as the use of Canadian National line for the haulage of freight of both Companies is concerned, the Western Vice-Presidents of both Companies forwarded a report dated February 28, 1935, indicating that under traffic conditions then existing no great economy could be anticipated.
Alta. & B.C.....	Edmonton & Calgary to Vancouver.	Extension of present co-operative arrangement for movement of grain to cover all freight traffic as well as making Vancouver point of interchange instead of or in addition to Kamloops.	C.N. Section of Vice-Presidents' Committee suggested re-study of this project. Joint Local Committee has reported against extension but matter now under review because report not considered acceptable by C.N. Section, Joint Co-operative Committee.

E—MISCELLANEOUS:

Description	Action taken
Telegraphs.....	Possibility of territorial withdrawals of duplicate telegraph facilities or alternatively establishment of joint telegraph offices now being studied.
Vancouver Hotel.....	On November 28, 1938, agreement reached on principles to govern apportionment of costs of re-arrangement of telegraph facilities due to line abandonments as between co-operation and exclusive expenses. This will now enable decision to be reached with respect to Saskatoon-Unity abandonment and other abandonments under consideration. Agreement executed on July 28, 1938, between Canadian National and Canadian Pacific Railways whereby on completion of the new C.N.R. hotel, the Canadian Pacific will close its hotel and the new hotel will be operated jointly by the two railways through a new company.
MARCH 21, 1939.	

EXHIBIT No. 101

C.P.R.—STATEMENT OF THE STATUS OF CO-OPERATIVE PROJECTS DEALT WITH BY VICE-PRESIDENTS' JOINT COMMITTEE
ON CO-OPERATIVE MATTERS

A—PASSENGER TRAIN POOLING:

The Vice-Presidents' Joint Committee on co-operative matters has since its appointment on August 9, 1938, been giving consideration to the adoption of principles to govern the pooling of passenger train revenues and services. While the respective sections of this Joint Committee have held divergent views with regard to certain features of this problem which it has taken some time to explore, agreement was finally reached on March 21, 1939, as to the terms of reference, and the Joint Co-operative Committee was instructed to undertake immediately a study of economies possible of attainment by and to make recommendations in regard to the pooling of competitive passenger revenues and services through the elimination of duplicate competitive services, including stations and off-line and uptown ticket offices.

B—LINE ABANDONMENTS:

Province	Between	Report No. and date	Mileage		Action taken	Estimated annual joint net savings
			C.N.	C.P.		
Nova Scotia.....	Middleton-Bridgetown.....	34 Nov. 2, 1934	13-9	.....	Application made to Board of Transport Commissioners August 11, 1938. Application granted March 7, 1939.	\$16,800
Quebec.....	Fresniere-Papineau.....	60	12	.....	This portion of proposal being restudied on account of changed conditions since date of report.....	25,040
	Joliette-Montfort Jct.....	April 14, 1936	32	.....	Application to Board of Transport Commissioners being prepared.	
Quebec.....	Ste. Therese-St. Eustache.....	62 April 6, 1936	.....	6	Agreement data disclosed that this abandonment might better be made as an exclusive C.P. abandonment. Report has been withdrawn.	24,000
Quebec.....	St. Canut-Cushing Jct.....	47 June 7, 1935	23	.....	Application to Board of Transport Commissioners being prepared for 25 miles.....	
Ontario.....	Amprior-Eganville.....	29A Sept. 21, 1938	38	.....	Replacing Report No. 29. Recommends that C.N. withdraw from the territory Amprior-Eganville. Application to Board of Transport Commissioners being prepared.	104,000
Ontario.....	Shannonville-Darlington.....	.....	.....	82	The C.P. have stated that they do not consider the net economy sufficient to incur the disadvantages which are foreseen under co-operative abandonment of this important through traffic line.....	

Ontario.....	Drancel-Medonte.....	61 June 24, 1936	74	Application to Board of Transport Commissioners being prepared.....	61,300
Ontario.....	Linwood-Listowel.....	35 Nov. 5, 1934	17	Application made to Board of Transport Commissioners August 11, 1938. Application granted March 8, 1939.....	13,000
Ontario.....	St. Mary's-Ingersoll North.....		25	C.P. study of this proposal indicates that there is no worth while economy to be secured.	
Ontario.....	Woodstock-Windsor.....		138	Joint Local Committee reported on five alternative suggestions, none of which will produce adequate net economy. Now being considered by Joint Co-operative Committee.	
Ontario.....	North Bay-Yellek.....	55 Nov. 27, 1935	8	These savings were predicated upon the use of existing T. & N. O. trackage for connection in North Bay. T. & N. O. have since advised this trackage cannot be made available, thereby reducing the economy. Cost of new alternate connections being developed.....	
Ontario.....	Bala-Wanap.....	30 Feb. 10, 1934	141	Report dated February 10, 1934, recommending abandonment approved by Joint Executive Committee. C.N.R. unwilling to implement this report until some comparable abandonment of a portion of C.P.R. main line can be agreed to.....	161,900
Ontario.....	Nipigon-Current Jet.....		63	Now being studied by Joint Local Committee.....	
Ontario.....	Twin City-James.....		47	Now being studied by Joint Local Committee.....	
Manitoba.....	Winnipeg-Morris.....		33 or 34	Report of Joint Local Committee covering abandonment of Canadian Pacific line now before Joint Co-operative Committee. Joint Local Committee working on report covering alternative abandonment of Canadian National line.	
Manitoba.....	Beach Jet-E. Selkirk.....	36 Dec. 3, 1934	15	On August 18, 1938, Joint Vice-Presidents' Committee agreed not to proceed with this project account changed conditions.	
Manitoba.....	Portage-Delta..... {Oakland-Cawdor..... Muir-Gladstone.....}	63 {Sept. 21, 1938}	36	Application to Board of Transport Commissioners being prepared.....	34,500
Manitoba.....	MacGregor-Varcoc.....	64 Sept. 22, 1938	54	Application to Board of Transport Commissioners being prepared.....	45,000
Manitoba.....	Hamiota-Miniota.....	65 Sept. 26, 1938	20	Application to Board of Transport Commissioners being prepared.....	15,000
Manitoba.....	Hallboro-Beulah.....	66 Sept. 26, 1938	75	Application to Board of Transport Commissioners being prepared.....	65,000

C.P.R.—STATEMENT OF THE STATUS OF CO-OPERATIVE PROJECTS DEALT WITH BY VICE-PRESIDENTS' JOINT COMMITTEE
ON CO-OPERATIVE MATTERS

Province	Between	Report No. and date	Mileage		Action taken	Estimated annual joint net savings
			C.N.	C.P.		
Manitoba.....	Brandon-Maon.....		37		Now being studied by Joint Local Committee.....	
Manitoba.....	Louise-Deloraine.....	38 A Aug. 30, 1937	56		Application made to Board of Transport Commissioners January 25, 1939.....	30,000
Man. & Sask.....	Reston-Wolsley.....	39 Jan. 25 1935		122	Application to Board of Transport Commissioners being pre- pared.....	104,500
Saskatchewan.....	Regina-Moose Jaw.....	67 Oct. 4, 1938	40		Abandonment not recommended.....	
Saskatchewan.....	Saskatoon-Unity territory.....				Joint Local Committee reports covering seven alternative proposals are now before Joint Co-operative Committee. Communications Departments preparing estimates in detail of cost of telegraph line changes involved.....	
Alberta.....	Alix-Nevis.....	41 Jan. 30, 1935	10		Application to Board of Transport Commissioners being pre- pared.....	6,100
Alberta.....	Langdon-Beiseker.....	40 Jan. 18, 1935	10	23	Application to Board of Transport Commissioners being pre- pared.....	30,000
Alberta.....	Red Deer-Rocky Mountain House.....	33 Oct. 25, 1934	12	53	Application to Board of Transport Commissioners being pre- pared.....	41,400
Alberta.....	Bruderheim-Edmonton territory.....				Joint Local Committee reports covering various alternatives now being considered by Joint Co-operative Committee.....	
Alberta.....	{ Trelle Jet-Morinville..... Carbondale-Egremont..... }		12	NAR 30	On November 26, 1938, N.A.R. and C.N.R. agreed to these abandonments. Application to Board of Transport Com- missioners being prepared. (Canadian Pacific not directly involved).....	23,100
B.C.....	Kamloops-Vancouver territory.....				Joint Local Committee reports dealing with capacity of the lines in this territory now being considered by Joint Co-operative Committee.....	
		23 A Feb. 1, 1939			On March 1, 1939, agreement reached by Joint Vice-Presi- dents' Committee on simplification of general principles governing line abandonments where line of the continuing company is to be used jointly by company whose line is abandoned.....	

C—JOINT FREIGHT AND PASSENGER FACILITIES:

Province	Location	Report No. and date	Mileage		Action taken	Estimated annual joint net savings
			C.N.	C.P.		
Ontario.....	Ottawa.....	52 Oct. 8, 1935			Report dated October 8, 1935, recommending that certain of the locomotive terminal facilities and tracks of each company be used jointly approved by Joint Executive Committee. On account of C.N. view that greater signal protection than contemplated by the report was required, this matter has been referred back to Joint Local Committee for restudy and report.....	38,200
Ontario.....	Lakehead Joint Terminal.....				Now being studied by Joint Local Committee.....	
Saskatchewan.....	Saskatoon Joint Passenger Station.....				Joint Local Committee report, dated February 16, 1939, covering restudy and indicating that there is no economy is now being considered by Joint Co-operative Committee.....	
Alberta.....	Edmonton Joint Passenger Station.....				Now being studied by Joint Local Committee.....	
Alberta.....	Calgary Joint Passenger Station.....				Joint Local Committee report, dated February 13, 1939, indicating that there is no economy is now being considered by Joint Co-operative Committee.....	

C.P.R.—STATEMENT OF THE STATUS OF CO-OPERATIVE PROJECTS DEALT WITH BY VICE-PRESIDENTS' JOINT COMMITTEE
ON CO-OPERATIVE MATTERS

D—RUNNING RIGHTS AND HAULAGE OF FREIGHT WITHOUT LINE ABANDONMENTS:

Province	Location	Description	Action taken
Que. and Vermont.....	St. Johns-White River Junction.....	C.P.R. to be given running rights over the Central Vermont Railway.	C.P. study of this proposal indicates that there is no worth while economy to be secured.
Que., Vermont and Maine.....	Sherbrooke to Connections with B. and M. and Maine Central.	C.P.R. to be given running rights over Canadian National as an alternative to its present route via St. Johnsbury, Vt.	C.P. study of this proposal indicates that there is no worth while economy to be secured.
B.C.....	Kamloops-Hope.....	Canadian Pacific line to be used jointly for passenger service and Canadian National line to be used jointly for freight service.	Report of joint study made in 1934 indicated no worth while economies available under then existing traffic conditions. No change in conditions has taken place since that time to justify restudy being undertaken.
Alta. and B.C.....	Edmonton and Calgary to Vancouver	Extension of present co-operative arrangement for movement of grain to cover all freight traffic as well as making Vancouver point of interchange instead of or in addition to Kamloops.	Joint Local Committee report of February 7, 1939, recommending against extension of the present arrangement is being considered by Joint Co-operative Committee.

E—MISCELLANEOUS:

Description	Action taken
Telegraphs.....	Possibility of territorial withdrawals by one company where duplicate telegraph offices exist, or alternatively establishment of joint telegraph offices, now being studied.
Vancouver Hotel.....	Under the terms of an agreement, dated July 28, 1938, between the Canadian National and Canadian Pacific Railways, the Canadian Pacific will close its hotel when the new Canadian National hotel is completed, and the latter will be operated jointly by the two railways through a new company.

Canadian Pacific Railway,
Montreal, Que.,
March 27th 1939

1939

(THE SENATE OF CANADA)

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PROCEEDINGS

OF THE

SPECIAL COMMITTEE

Appointed to

ENQUIRE INTO AND REPORT UPON THE BEST MEANS OF RELIEVING THE
COUNTRY FROM ITS EXTREMELY SERIOUS RAILWAY CONDITION
AND FINANCIAL BURDEN CONSEQUENT THERETO

No. 6

The Right Honourable George P. Graham, P.C., and
the Honourable C. P. Beaubien, K.C.,
Joint Chairmen

CONTENTS

Discussion re Montreal Terminals.

WITNESSES:

Mr. E. P. Flintoft, K.C., General Counsel, C.P. Ry.
Mr. H. B. Chase, Assistant Grand Chief Engineer and Dominion Legis-
lative Representative, Brotherhood of Locomotive Engineers.
Mr Harvey H. Black, Financial Publisher, Montreal.

EXHIBIT:

No. 102. Evidence adduced before House of Commons Committee on
Railways and Shipping, April 18, 1939, re annual report C.N.R. and C.N.R.
position with regard to Montreal Terminals.

OTTAWA

J. O. PATENAUDE, I.S.O.

PRINTER TO THE KING'S MOST EXCELLENT MAJESTY

1939

ORDER OF APPOINTMENT

(Extracts from the Minutes of Proceedings of the Senate for March 7, 1939)

Resolved,—That with a view of completing the inquiry pursued during last session by the Special Railway Committee of this House, and preparing and submitting an adequate report on such inquiry, this Special Committee be re-appointed with a view to inquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, with power to send for persons, papers and records and that the said Committee be re-appointed with the same personnel and, therefore, that it consist of the Honourable Senators Beaubien, Black, Buchanan, Calder, Cantley, Côté, Dandurand, Graham, Haig, Hugessen, Horsey, Jones, Hardy, McRae, Meighen, Murdock, Parent, Robinson, Sharp and Sinclair.

MINUTES OF EVIDENCE

THE SENATE,

TUESDAY, April 25, 1939.

The Special Committee reappointed to inquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto met this day at 11 a.m.

Right Hon. George P. Graham and Hon. C. P. Beaubien, Joint Chairmen.

Hon. Mr. DANDURAND: Mr. Chairman, when the committee adjourned last week it was decided that the evidence adduced before the Railway Committee of the Commons should be distributed to the members of this committee, as it dealt with the whole problem of the Canadian National terminal at Montreal. For my part, I added that if any further questions were to be asked in regard to that matter, of course the Canadian National officers would be at our disposal.

That evidence was distributed on Saturday, but did not reach several members of this committee until yesterday. I do not know whether they have had time to read it. If not, we could defer consideration of the question until tomorrow or the day after, for it is important in order to shorten our work and enable us to reach a conclusion that this committee be satisfied as to the stand of the Canadian National in proceeding with the work on the Montreal terminal.

Besides, I have received from Mr. Biggar a copy of a letter addressed to the joint chairmen, asking to be excused to-day and suggesting that the two gentlemen from the Railway Labour Employees be heard. They have been asking to reply to the statement made by Professor McDougall of Queen's University. Mr. Black is also here. He has been invited to give us his views on the railway problem. I have read his memorandum and find it most informative as to the reason for the present state of the Canadian National and the Canadian Pacific.

I am in the hands of the committee as to what we should proceed with. If the members generally have not yet read the evidence taken before the Commons Committee, it seems to me it would be advisable, in order to avoid duplication, that the members of this committee should read that evidence before we decide whether we will go further into the examination of the terminal question in Montreal.

Hon. Mr. HAIG: Mr. Chairman, I received the evidence on Saturday and read it. Apparently there was a map before the House of Commons Committee, and without that map it is very hard to understand the evidence. Of course, anyone in Montreal familiar with the district could follow it, but to an outsider it is very difficult to appreciate the evidence without having the map before him. There seems to be a desire that this matter should be brought before the committee. If the committee decides to proceed further into the examination of the terminal, then surely the Canadian National will furnish the map that was on the wall for the other committee.

Hon. Mr. CALDER: Mr. Chairman, I received the document in question and I read a great deal of it. I must say, very frankly, that large portions of it are exceedingly technical.

Hon. Mr. DANDURAND: That I recognize.

Hon. Mr. CALDER: To ask this committee of laymen to examine into the accuracy of all the statements contained in that evidence is asking too much, I think.

Hon. Mr. DANDURAND: I am not asking that.

Hon. Mr. CALDER: We are not equipped to do it. We have before us one side of the story. I think all will admit there are two sides to the story, and a proper examination of that question as to its sides can only be made by hearing the two sides who are thoroughly acquainted with all the technicalities of the situation. We cannot do it alone. To me that evidence which was given in the other committee means nothing, or practically nothing, because I am not in any way equipped to follow the statements and arguments made there. So I say this, briefly, that if we are going into the question of the merits or demerits of the Montreal terminal, there is only one way to do it, and that is through experts.

Hon. Mr. DANDURAND: Through experts, appearing where?

Hon. Mr. CALDER: Right here. Have the Canadian Pacific witnesses here and they will analyse that situation from their standpoint, as the other parties have done it from their standpoint.

Hon. Mr. HARDY: Hear, hear.

Hon. Mr. DANDURAND: On what question, on the opportunity of having a union station in Montreal?

Hon. Mr. CALDER: Yes, exactly.

Hon. Mr. DANDURAND: Well, I have not that sentiment.

Hon. Mr. CALDER: In other words, Senator Dandurand asks us to do what? To accept the statements made by one railway company. I say that is what he asks us to do, because I repeat that this committee, on account of lack of experience, is not equipped to decide as to whether or not the argument advanced elsewhere are sound or not.

Hon. Mr. HARDY: You mean, Senator, the members of the Committee are not qualified to express an opinion on it?

Hon. Mr. CALDER: No, they are not.

Hon. Mr. HARDY: Of course not.

Right Hon. Mr. MEIGHEN: Senator Dandurand's argument is that we should be better qualified if we just heard one side.

Hon. Mr. DANDURAND: I will try to explain the situation clearly. We have been asked to make a special study. While we were making it, and in late months, the Canadian National Railways board decided to proceed with the development of their own terminals in Montreal. They passed a resolution to that effect and they asked the Canadian Government if they would be disposed to contribute to a certain extent to the work, by furnishing their share of relief money for the unemployed. The Government decided that out of the amount voted for relief they would contribute 40 per cent of the expense which would be entailed in that terminal. With that endorsement, the Canadian National proceeded upon this work, which had been suspended for some years. One must not forget that the Canadian National terminal and the tunnel are facts, that the terminal has been used and is now in use by the Canadian National.

Now I will try to answer my honourable friend Senator Calder. This is terminal for the benefit of the Canadian National, and we are not embarking upon what might be called a union station except in the sense suggested by Sir Frederick Palmer, that it be arranged in such a way as to serve as a union station whenever the Canadian Pacific desires to utilize it. The whole question of the union station was grappled with in 1927, 1928 and 1929. The Canadian National made plans, backed by its own engineers. The Canadian Pacific brought in two experts from the United States to examine into its own suggestion of making Windsor station a union station. The Hon. Mr. Dunning, who was then Minister of Railways, faced with these various plans, had an expert of high standing in Great Britain called in, virtually as an arbitrator to decide

as between the plans. After a minute examination, the British expert discarded the Windsor street station absolutely and said that if a union station was ever established it should be the terminal station, to which the Canadian Pacific could go whenever it deemed it in its interests to do so. Mr. Smith, the American expert for the Canadian Pacific, studied the question and decided there was a possibility of utilizing Windsor street station, by spending some \$20,000,000 to make it possible to bring trains uphill from Bonaventure station to the level of Windsor station. The other expert who studied the situation for the Canadian Pacific was, if I am not mistaken, Mr. Earl Stuart, and he came to the conclusion there should be no union station in Montreal, that the Canadian Pacific was fully equipped with its terminals at Windsor street and Place Viger, and that the Canadian National could lift its rails upon a bridge to reach a terminal station to be built for the Canadian National where Bonaventure station is. The problem was studied minutely by the British expert, and he clearly dismissed the idea of the Windsor station for a union terminal, because of its geographical position. It could only meet the needs of the West, and not those of the north, the east and south.

Hon. Mr. CALDER: After the statement that has just been made, what I cannot understand is why the possibility of a union station at Montreal should be considered at all. If all that is true, why should the Canadian Pacific come along at this stage and say that a mistake is being made?

Hon. Mr. DANDURAND: I draw a line as between the absolute needs of the Canadian National to-day of developing its own terminal and the bringing forward again of the old scheme of the Canadian Pacific, based on the utilization of Windsor station. The Canadian Pacific want to turn the clock back to 1928. In 1929 Sir Frederick Palmer reported that Windsor station could not be a union terminal.

Hon. Mr. CALDER: And so did one of the Canadian Pacific experts, you said?

Hon. Mr. DANDURAND: Yes. So I say this is not the moment to bring up the question of a union station in Montreal. That has been discarded, and we are proceeding on a scheme, which is a Canadian National scheme only, to meet the needs of the Canadian National in the city of Montreal. The Canadian National has for years and years been using that old shanty called Bonaventure station, with passenger stations dispersed all around. In 1929 both Houses of Parliament, after a serious inquiry, decided to endorse Sir Frederick Palmer's conclusions and to allow the Canadian National to proceed with its terminals. The Canadian National is proceeding with them to-day. The figure of \$12,000,000 has been given to the public. The expenditure represents about 4,000,000 a year, of which the Government will pay 40 per cent, or \$1,600,000. So there will be a capital charge upon the Canadian National of \$2,400,000 a year for the next three years.

Right Hon. Mr. MEIGHEN: May I ask the honourable gentleman a question? What conclusion is he intending to arrive at?

Hon. Mr. DANDURAND: I arrive at this conclusion, that we may, if we will, examine into the—I am not ready to say even the idea, but the opportunity at this moment of continuing to develop the Canadian National scheme. I say it is imperative that we should, at as early a date as possible; but I most strenuously discard and reject the idea of this Committee being asked to open an inquiry as to the opportunity of having a union station at the Windsor street station or the Canadian National terminal. That is not the question which is before us. When President Hungerford was before the Committee of the other House he was asked if he would be in favour of a union station. His answer was a very clear and pertinent one: Yes, at the terminal station. But of course Sir Edward Beatty, whose letter I have before me, says: No; at the Windsor station. Surely we will not reopen that question. The terminal is being built,

but in such a way as to allow the Canadian Pacific whenever it deems it proper to do so, to come into the terminal, as a union station. The Canadian Pacific will not be pressed to do that. They have the Windsor station; they have the Park avenue station, to the north; and they have the Place Viger station, to the southeast. Nobody is pressing the Canadian Pacific to come into the terminal. But Sir Frederick Palmer said that if there ever is to be a union station, it cannot be at the Windsor station, but it must be at the terminal, because that is a station that would serve east and west, north and south. It is an open station and will serve east and west, north and south. The Windsor street station cannot do so.

Now, are we to reopen that question at this moment and decide that there is something to be said in favour of the Windsor street station, when we have spent already \$16,000,000 on the Canadian National terminal and are proceeding to spend within the next three years \$12,000,000 more, the contracts for the yearly expenditure having been awarded and the work being actually in operation? Remember, it is not a union station that is before the committee; it is the Canadian National railway station. It is a central terminal for the Canadian National only, but if the Canadian Pacific at any time desire to utilize that as a union station, they may do so. That is the situation and that is where the line of cleavage comes.

I say, in answer to my right honourable friend, that the question of a union station is not before us. Notwithstanding the legislation of 1929, given effect by the Board of Railway Commissioner's approval of the plan and by all that has taken place since, shall we say in our own wisdom, "We should retract our steps, we should forget the \$16,000,000 we have spent, and not proceed with that terminal?"

I submit that the terminal is a matter concerning the Canadian National Railways alone. I said it somewhat curtly last week. We are discussing the needs of the Canadian National Railways. We are not invading the interests of the C.P.R. Remember, the C.P.R. is a private corporation and its shareholders meet annually. I should like to see the directors of the Canadian Pacific being passed through the mill at the annual meeting of the company as the Canadian National directors are by the Railway Committee of the House of Commons, representing the shareholders, the people of Canada. The situation of the Canadian National is an open one. Questions are put to the officer concerning the annual statement. I know no board of directors of the Canadian Pacific would submit to be questioned to the same tune at the annual meeting of the company.

The annual report of the Canadian National for 1938 is before the House of Commons. It has been approved by the Special Railway Committee of the House, and no one has expressed the opinion that we should carry on an inquiry as to the relative merits of the Windsor street station and the Canadian National terminal.

We must not forget that the terminal station is a fact, it is in existence. It meets a need, but it is the need of the Canadian National. The Canadian Pacific is not affected thereby as to its own needs and protection. Sir Edward Beatty says so in his letter. Therefore I wonder why we should at this moment decide to reopen the question of the advisability of making the Windsor street station a union station. That is my answer to my right honourable friend Senator Meighen.

Right Hon. Mr. MEIGHEN: If the honourable gentleman is through with his long and somewhat impassioned remarks, I will say a few words.

Hon. Mr. DANDURAND: No; I will listen to my right honourable friend.

Right Hon. Mr. MEIGHEN: I am utterly perplexed to follow the leader of the Government.

Hon. Mr. DANDURAND: To follow what?

Hon. Mr. CALDER: To follow your argument.

Right Hon. Mr. MEIGHEN: There is no following the honourable gentleman's argument. It cannot be done. The leader of the Government says, there is no issue before this committee as to what the proper procedure in Montreal is, that situation is closed. Well, he is on record in this committee time and again, and I will undertake to get his words, saying that before this committee would come the question of the Montreal terminal. He has said that over and over again.

Hon. Mr. DANDURAND: But I am not dismissing it, I am limiting it.

Right Hon. Mr. MEIGHEN: That is exactly what he is doing, and that is why I cannot follow him. The question is either before us or it is not. If it is before us, it is before us in all its phases, is it not? Is only one of its phases before us? If the question is before us, it is before us in all its phases, including the best alternative.

Hon. Mr. DANDURAND: No, I do not admit that.

Right Hon. Mr. MEIGHEN: No alternative can be discussed? We can discuss the merits of the Montreal terminal so long as we do not consider whether or not something better can be done?

Hon. Mr. DANDURAND: It is too late.

Right Hon. Mr. MEIGHEN: The Government has shut the gate on that? That is, the Government can close the mouths of this committee and stop our activities by simply spending money. That is his argument. If the Government can get ahead of us in that way, then we are through, all we can discuss is whether it is going to a nice looking, fitting terminal for the Canadian National. We cannot discuss whether it is good policy for Canada.

Hon. Mr. DANDURAND: It is settled.

Right Hon. Mr. MEIGHEN: The Government has settled it?

Hon. Mr. DANDURAND: The House of Commons has settled it.

Right Hon. Mr. MEIGHEN: Then it was settled long before the honourable leader went on record in this committee that it is still open.

Hon. Mr. DANDURAND: It is still open as to the opportunity of going on with the work, but as to the principle, I say it is closed.

Right Hon. Mr. MEIGHEN: As to the opportunity of going on with the work? Would not that mean consideration of whether something better could be done or not?

Hon. Mr. DANDURAND: No.

Right Hon. Mr. MEIGHEN: Then what can we consider?

Hon. Mr. DANDURAND: The committee could perhaps say that the Canadian National should not go on with the work presently because of the financial condition of the country.

Right Hon. Mr. MEIGHEN: But not because there is a cheaper and better method?

Hon. Mr. DANDURAND: That was settled and dismissed in 1929.

Right Hon. Mr. MEIGHEN: Surely, the honourable leader does not try to get this committee to accept that statement? The question is open for consideration here in all its phases, or not at all. What utter nonsense to suggest we could discuss whether the country is rich enough to justify the expenditure, but not whether the expenditure is wise or profligate. That is beyond us, that is what the leader of the Government says.

Hon. Mr. DANDURAND: As to the basis of the expenditure.

Right Hon. Mr. MEIGHEN: The basis? The basis is a hole in the ground.

Hon. Mr. DANDURAND: I should like to see that hole very much, but it is being covered.

Right Hon. Mr. MEIGHEN: We can discuss whether or not we can borrow the money, whether or not we are likely to be able to borrow enough money to build this Montreal terminal; but the leader of the House stands before us and says: Whether it is wise or not to expend the money it is too late to consider, you cannot discuss that.

Hon. Mr. DANDURAND: Because we have decided to go on in a certain way.

Right Hon. Mr. MEIGHEN: After he has opened the argument himself and presented a witness with a long memorandum in favour of proceeding with the work, the honourable leader, having presented the one side, says, "I have nothing to add. That is all you can do." That is the way in which we are going to discuss the question of the Montreal terminals. Is it any wonder I cannot follow him? I never heard the leader of the Government arguing that way before.

Hon. Mr. DANDURAND: My right honourable friend is wont to make sweeping declarations. He says now he has never heard anything of the kind.

Right Hon. Mr. MEIGHEN: I have heard other men, but I have never heard him tell us that all we can discuss about the Montreal terminals, after he assured us over and over again that the question was before the committee, is that we can discuss whether we can possibly raise the money to go ahead with the work. That is his suggestion to the committee.

Hon. Mr. DANDURAND: No, not exactly that.

Right Hon. Mr. MEIGHEN: Will he tell us what else? We cannot discuss whether or not a better alternative is open?

Hon. Mr. DANDURAND: That is past.

Right Hon. Mr. MEIGHEN: We cannot discuss whether the Canadian National need it. That is decided?

Hon. Mr. DANDURAND: It is.

Right Hon. Mr. MEIGHEN: What we can discuss is whether or not we can get the money to build the terminal?

Hon. Mr. DANDURAND: And that is not our concern.

Some Hon. MEMBERS: Oh, oh.

Right Hon. Mr. MEIGHEN: Therefore we cannot discuss anything. All we can do is to hear one side, and the leader's speech, and we are through. Well, I give it up.

Hon. Mr. DANDURAND: "One side" covers the Canadian National Railways. It does not cover the Canadian Pacific, and that is why I said that for my part I do not want to go into a discussion of the relative merits of the terminal or of the Windsor street station.

Right Hon. Mr. MEIGHEN: Then you should not have started it.

Hon. Mr. DANDURAND: My right honourable friend was not here last week and has not read the report.

Right Hon. Mr. MEIGHEN: Oh, yes, I was here when it was decided to get that memorandum.

Hon. Mr. DANDURAND: Then I said, "If you want the views of the Canadian National Railways officials on a matter that concerns the Canadian National Railway system, and the Canadian National Railway system alone, I can have the report of the Railway Committee of the Commons."

Right Hon. Mr. MEIGHEN: We can hear one side as long as we like?

Hon. Mr. DANDURAND: It must not be forgotten that we are dealing with our own railway, the Canadian National Railway, we are dealing with its operations.

Right Hon. Mr. MEIGHEN: All right. Vote it down now, and see.

Hon. Mr. CALDER: Mr. Chairman, I have only one further word to add. I am inclined to think that the leader of the Government is overlooking the real purpose of this committee. We are not here to decide whether or not there should be a joint terminal in Montreal.

Right Hon. Mr. MEIGHEN: No, of course not.

Hon. Mr. DANDURAND: That is what I say.

Hon. Mr. CALDER: We are not here for the purpose of deciding whether there should be one terminal or the other. We are here for a specific purpose, and not in the interest of members of Parliament. Our duty is towards the public. There is a very large problem in Canada to-day, one of the largest problems Canada ever had to face, and that is the railway problem.

Now, my honourable friend harks back to what happened in 1929—a most unfortunate year in many respects. It was the peak of prosperity, and many eminent gentlemen in Canada and outside of Canada took an entirely different view of the economic and financial situation as it existed then from what they would take to-day. Not only in Canada but, as I attempted to point out the other night, the railway situation throughout the entire world is on the downgrade. There have been enormous losses in all parts on account of what has happened in the world. Competition is increasing, increasing and increasing all the time, and it is going to still further increase.

What was the question submitted to our committee? Briefly it was whether or not this committee, by an examination of the whole railway situation in Canada, not merely a part of it, would be able in any way to come to a conclusion as to where economies could be effected.

That is the question before us, and the only question. We have not in any of our sittings here attempted in any way to reach a conclusion as to whether this or that should be abandoned, or this or that should be joined up, or as to whether economies must be effected here or there. That is not what we have been attempting to do at all. What we, as a committee, have been attempting to do, is to get the facts on which to base a conclusion as to what should be done in endeavouring to salvage the existing situation, which is becoming increasingly difficult as the years go on. So when the honourable gentleman suggests that this Committee wishes to take evidence in order to determine what should be done in the city of Montreal, I think he is very far afield. On the other hand, when he attempts to limit us in inquiring as to the facts upon which we can reach proper conclusions, I think he is on pretty dangerous ground.

Hon. Mr. DANDURAND: But my honourable friend has just said we are not here to decide as to a union station, as between the Canadian Pacific and the Canadian National.

Right Hon. Mr. MEIGHEN: We cannot finally decide anything of that kind; of course we cannot. That can only be done by Parliament and the Government.

Hon. Mr. DANDURAND: But it has been decided.

Right Hon. Mr. MEIGHEN: And we cannot decide anything else. All we can do is make recommendations.

Hon. Mr. DANDURAND: The query is: Shall we enter into an examination of engineers and experts, to revert to the problem of choosing Windsor station as a union station? We are not to do that.

Hon. Mr. CALDER: Let me make it clear. The purpose of our Committee is to bring out the facts, in order that the public may judge as to whether or not the Government is doing the proper thing. That is our job, and our sole job. We are not going to decide this. But I say the public of Canada are entitled to all the facts in connection with this situation. That is the stand I take. And we must not be limited in that respect. The only fear I have is

that we are going to land in the same situation that we were in last year; that is, that there will not be time to conclude this inquiry. That is clear, I think, at the present time. Our duty is one not to Parliament itself, and particularly not to the Government, but to the public of Canada, who are watching the proceedings of this Committee all the time.

Hon. Mr. DANDURAND: I want to remind my honourable friend that the report of the Canadian National was brought before the House of Commons committee. All parties were there, and they unanimously approved of the report.

Hon. Mr. CALDER: Naturally they would.

Right Hon. Mr. MEIGHEN: They have done too much of that.

Hon. Mr. DANDURAND: Naturally they would. And what would be my right honourable friend's conclusion, if we were on that committee?

Hon. Mr. CALDER: There is an election in sight.

Hon. Mr. DANDURAND: Yes, and there are even members of the Senate who know of it.

I draw attention of my honourable friend to the fact that after an exhaustive inquiry into that very question by the House of Commons committee, a unanimous report was brought in. Not only was a unanimous report brought in, but there was in the committee a complaint, generally supported, that the Canadian National was not getting a fair deal in the country, because of the propaganda that is going on. I shall call attention to that propaganda before we are through. The Canadian National has been treated as if it were a football, in order that certain ends might be reached. My honourable friend knows what those ends are.

Hon. Mr. CALDER: I do not.

Hon. Mr. DANDURAND: Well, I will inform my honourable friend. The House of Commons committee—Conservatives and Liberals—reported unanimously, commended the administration of the Canadian National for the brilliant direction it was giving to its operations. That report is now before the House of Commons, and I wonder if that House is not more entitled to speak for the people than my honourable friend is.

Hon. Mr. CALDER: I am not speaking for the people.

Hon. Mr. DANDURAND: But my honourable friend says the people are listening to us.

Hon. Mr. CALDER: Surely they are.

Hon. Mr. DANDURAND: But there are channels through which the information that would be gathered here could reach the public. I know the splendid organization of those who support the pet scheme, as he has been wont to call it, of Sir Edward Beatty. I am not complaining of Sir Edward Beatty's campaign. He is defending his shareholders, as he said in his letter to the Prime Minister.

Right Hon. Mr. MEIGHEN: If we cannot deal with anything which the House of Commons has decided upon, we have no business here at all.

Hon. Mr. DANDURAND: Oh, yes. Of course, I realize we are free agents, but we are not direct representatives of the people.

Right Hon. Mr. MEIGHEN: What can we do, if we cannot look into anything that has been decided upon?

Hon. Mr. DANDURAND: I draw attention to the fact that in 1929 we unanimously passed an Act authorizing the Canadian National to proceed with their terminal. They have done so, and they have spent \$16,000,000. They will have to spend a few millions more, and then the trains will come direct from Victoria bridge to the terminal station. That is their business, not the

Canadian Pacific's business. That is why I refuse to agree that the Canadian Pacific should appear in this picture and say: "Oh, but we have the Windsor station. Make it the union station." That is where I draw the line. I will not agree that the Canadian Pacific should come into this picture in order to assail the policy that was decided upon in 1929 and that has been adhered to by all parties up to this moment.

Right Hon. Mr. MEIGHEN: Was that policy not abandoned? The policy was definitely abandoned afterwards.

Hon. Mr. DANDURAND: Oh, no.

Right Hon. Mr. MEIGHEN: Oh, definitely.

Hon. Mr. DANDURAND: Never for a moment.

Hon. Mr. MURDOCK: May I ask a question of my honourable friend, Senator Calder? Do I understand him to contend that we should take into serious consideration the advisability of proceeding with the expenditure of an additional \$12,000,000 to salvage, if possible, the \$16,000,000 already spent on the terminal station in Montreal, and compare that with the advisability of spending \$20,000,000, as specified by a very prominent engineer a number of years ago, to go in to the Windsor station and make that a joint terminal? Are these the two things that we should consider?

Hon. Mr. CALDER: No, I did not say anything within a thousand miles of that.

Hon. Mr. MURDOCK: Do you recognize that it was decided by a very prominent engineer that it would cost \$20,000,000, capital expenditure, to make the Windsor street station a union station?

Hon. Mr. CALDER: No, I do not recognize that, because I do not know anything about it.

Hon. Mr. MURDOCK: Then, it is unfortunate that you do not, because it is on the record.

Hon. Mr. CALDER: I am on the record?

Hon. Mr. MURDOCK: No, that information is on the record.

Hon. Mr. CALDER: Where did it come from? Who said it? What responsibility has he?

Hon. Mr. DANDURAND: That was said by the Canadian Pacific expert from the United States, Mr. Smith.

Hon. Mr. CALDER: I am not here representing the Canadian Pacific Railway in any sense, and I never have been. I have no connections with the Canadian Pacific in any way. I do not say I am in favour of unification right at this minute. Let that be clearly understood. I have had only one object in attending these meetings this year and last year; and if any person thinks I have a brief from anybody in this situation, I tell them frankly and squarely that they are entirely mistaken. Nobody has any strings on me in any way, shape or form. But I realize that this Committee has a duty to perform, a duty, not to the existing Government of the day and not to Parliament, as it exists today, not at all. This Committee was created and has been functioning for two years for one purpose only, and that is to inquire into our whole railway situation in Canada with one purpose in view, and that is economy.

Hon. Mr. MURDOCK: No, that has not been the purpose, as I have seen it.

Hon. Mr. CALDER: Probably not your purpose. There are men around this board who have had that in mind all the time, and that was the main basis for the resolution that created the Committee: to inquire into present conditions, with a view to effecting economies.

Hon. Mr. MURDOCK: But there has been another purpose promulgated by the strong insistence that this Committee do something.

Hon. Mr. CALDER: Do what?

Hon. Mr. MURDOCK: Why, do something. The underlying intention has been to bring about unification, amalgamation.

Hon. Mr. CALDER: What right have you to say that?

Hon. Mr. MURDOCK: Every word and every contention of certain individuals surely prove to anybody of ordinary intelligence that that has been the desire.

Hon. Mr. CALDER: I do not agree with the honourable gentleman at all, and I think I have just as much intelligence as he has.

Hon. Mr. MURDOCK: I am not putting it on you.

Hon. Mr. CALDER: I think the great majority of this Committee have been sitting here for one purpose, and one purpose only, and that is to get at the facts. I think the honourable gentleman has no business at all to make an insinuation of that kind. I think the great majority of the men sitting on this Committee are here to discharge squarely and fairly the duty that has been placed upon them by our House.

Hon. Mr. MURDOCK: And yet some of them say they do not know of this desire to bring about unification.

Hon. Mr. HAIG: Name some of them. Do not insinuate.

Hon. Mr. ROBINSON: I am going to name somebody. One of the Chairmen of the Committee made an extensive speech in the House in favour of unification when he moved the appointment of the Committee.

The CHAIRMAN (Hon. Mr. Beaubien): That is right.

Hon. Mr. CALDER: He has not made it here. He may not be in favour of unification.

Hon. Mr. ROBINSON: If that would not give us a reasonable impression that the object of this Committee was to promote unification, I do not know what would. But I do think that the members of this Committee are not prepared to adopt the principle of unification, at least without a fair investigation of everything. I credit the members with not being sold on that principle of unification. I think everyone on the Committee is fair minded and wants to have a fair investigation. But I cannot get it out of my mind or out of my system, regardless of what Senator Calder and Senator Meighen say, that this Committee was formed for the purpose of trying to put over unification.

Hon. Mr. BLACK: Mr. Chairman, I want to take exception to the remarks of my honourable friend Senator Robinson, and I am surprised to hear him make them.

Hon. Mr. ROBINSON: That is the way I feel.

Hon. Mr. BLACK: I was the one who moved for the appointment of this Committee, and I never had a word of conversation with Senator Beaubien about it at any time or place until after I made the motion. He did not suggest it or have anything to do with it. I want honourable members to have it clearly in mind that my motion was not made with any idea of unification in view, and that I had no knowledge of what Senator Beaubien's ideas might be any more than I had of what Senator Murdock's might be, although I may have had some suspicion.

Hon. Mr. DANDURAND: As to both.

Hon. Mr. BLACK: As to both. I did it with the one idea, and the one idea only, and that was to try to get some reasonable measure of economy in the operation of our railways. I have not, here or anywhere else, advocated unification of the railways, because, frankly, I do not know whether it would be wise or not. I have not heard evidence before this Committee to lead me to be at all sure that that is the best solution.

Hon. Mr. CALDER: Quite right.

Hon. Mr. BLACK: I am prepared to do what I can to help the Committee arrive at the best solution. I have a great admiration for the virility of my honourable friend from Parkdale, Senator Murdock. But he accuses others, even one of the Chairmen of this Committee, of having pronounced views. Honourable members are entitled to their views. I may say that there is no member of this Committee who advocates his personal views and the views of his group more strongly than does the senator from Parkdale. I think it is only fair to say that he sits in this committee and in the Senate representing a certain public group in Canada. Is not that correct?

Hon. Mr. MURDOCK: No, it is unqualifiedly false.

Hon. Mr. BLACK: Would you not say that two years ago you were sitting in the Senate as a member of an organization?

Hon. Mr. MURDOCK: Yes, I would say I am a member of a the labour organization, but I have not represented or taken a cent from a labour organization to represent them for a number of years.

Hon. Mr. HARDY: Are we here to discuss the position of the railways, or the personal predilections of various members of the committee?

Hon. Mr. BLACK: I should not like my honourable friend or any other member of the Senate to think I had suggested he was taking anything from any group.

Hon. Mr. MURDOCK: I mean I am not on salary.

Hon. Mr. BLACK: But the views of the honourable member from Parkdale are strongly in favour of one group. I admire him for it. I have heard only one member express himself in favour of unification. I have not heard anything stated by the right honourable leader on this side for any kind of railway amalgamation or unification. I have heard him express a desire to save the public of Canada unnecessary expense. Senator Dandurand lost his temper once or twice, and it is very seldom he does so.

Hon. Mr. DANDURAND: I am keeping my mind clear on a certain line of action. Make no mistake about it.

Hon. Mr. BLACK: I raised the question before and I raise it now. It is proposed to spend \$12,600,000 of public funds. It does not matter whether a part of that expenditure is charged to one department or to the railway; it is all funds which come out of the people. It has been decided, apparently, to spend that in face of the present financial crisis and the shrinkage in railway business, and I felt greatly discouraged. I still have that feeling of discouragement. I had part of the evidence given by Mr. Fairweather before the Railway Committee in another place; I have read the rest of it since. That evidence does not satisfy me. I know the Government, for whatever reason they chose, decided to spend a large amount of money in Montreal.

Hon. Mr. DANDURAND: That is, they agreed to the scheme of the Canadian National system.

Hon. Mr. BLACK: I am using your words of the other night. The Government has decided to spend the money.

Hon. Mr. PARENT: That decision changes the facts.

Hon. Mr. BLACK: No. That is what it means. I say it is unfortunate, because when you refer to 1921 or 1927 you are going back to an entirely different situation from that which exists to-day. Then there were bounding revenues, as Senator Calder has pointed out, with traffic coming in all over Canada. Now then, the question came up, and we did without that expenditure through all these declining years. But in this fiscal year 1938-39, with the railway revenues from passenger and freight traffic the lowest they have been since 1921, we all at once discover that we have not got sufficient terminal facilities in Montreal, and we have to begin spending millions of dollars.

Hon. Mr. DANDURAND: All at once: For the last twenty-five years we have been familiar with that situation.

Hon. Mr. BLACK: For the last twelve years we have not spent any money on that terminal. The fact that money was sunk into it at one time is no justification for spending more money now. If I invest in a business venture \$1,000 or \$1,000,000, and lose it, the money is gone. I do not put more money into the venture unless I see some means of getting back my original investment. In the evidence given before the Railway Committee of the House of Commons there was not a single word which indicated the C.N.R. or the Government had any hope of getting any money back from that expenditure. The money was being spent to give better facilities.

Hon. Mr. DANDURAND: I would suggest that my honourable friend read that statement again.

Hon. Mr. BLACK: I will. I speak without any technical knowledge, but after reading it through once, and, in part, a second time, my impression was that somebody had to defend the expenditure, and the railway authorities made the best defence they could under the circumstances. That it would be very nice to have a terminal there if we had the money to spend and our revenues were expanding, I readily admit.

Hon. Mr. DANDURAND: And you do not say it will be useful?

Hon. Mr. BLACK: Every railway terminal will be useful, but this terminal will not be sufficiently useful to warrant expenditure of the enormous amount of money we are going to spend on it.

Hon. Mr. DANDURAND: It is a question of money?

Hon. Mr. BLACK: There was no evidence before the committee that there would be any additional revenue. Everybody admits railway revenues are going down.

Hon. Mr. DANDURAND: I will give that statement to my honourable friend. I have it here.

Hon. Mr. BLACK: All right.

Right Hon. Mr. MEIGHEN: But you will not let anybody else make one.

Hon. Mr. BLACK: I think the honourable leader of the House is entirely wrong. We should bring the officials of the C.N.R. before us to give their reasons for this terminal. The other night the honourable gentleman said that the question of a joint terminal has never been discussed. But I know there was a discussion, and there was a joint committee to consider it.

Hon. Mr. DANDURAND: Oh, yes, it was discussed from 1927 to 1929.

Hon. Mr. BLACK: I did not bring that up. I do not know whether a joint terminal would be advantageous or not, but I am sorry to hear the leader of the Government say that the Government having decided to spend another \$12,600,000, we cannot discuss this expenditure at all.

Hon. Mr. DANDURAND: Will my honourable friend allow me to put him right?

Hon. Mr. BLACK: Yes.

Hon. Mr. DANDURAND: If I understand the trend of his remarks, he claims it is not opportune to embark on that expenditure now because of the financial condition of the country.

Hon. Mr. BLACK: And the railway traffic situation.

Hon. Mr. DANDURAND: And the railway traffic situation. Then, is he disposed, in face of that statement, to go into a lengthy inquiry to ascertain if we should select the Windsor street station as a union station instead of the terminal?

Hon. Mr. BLACK: I never suggested we should go into such an inquiry.

Hon. Mr. DANDURAND: I am satisfied with that, because the question before the committee is, shall we consider the C.P.R. claim to have its Windsor street station the union station.

Hon. Mr. BLACK: You never heard me say a word about a union station in Montreal the last time I spoke. But I do say that if we are going to enter into a justification of the expenditure on a terminal station, then we have a perfect right to have any C.P.R. experts come before us in rebuttal. I do not want to go into that at all. I think we are wasting time.

Right Hon. Mr. MEIGHEN: There is a word I want to say because of certain remarks which have followed, and I say it in justice to the joint chairman, Senator Beaubien. I have made no statement as to what conclusions I have arrived at as a result of the evidence so far. I am not in the habit of making a statement on a matter of which I am to be a member of the jury, before all the evidence is in. Senator Beaubien in his address before the Senate urged an inquiry to see if there was not some way of saving money to the people of Canada. He reviewed the arguments in favour of unification. He comes on the committee to discuss that, to get evidence upon it, and ask the committee to consider all phases of that evidence. Senator Beaubien is in just as honourable a position as any other member of this committee who may think unification has no merits whatever, and I deny the right of any member here to impugn the motives of anyone who is predisposed in favour of unification and brand him as an enemy of the Canadian National Railways. If as a result of all the evidence before this committee on every phase of the subject, I consider unification is the solution of our railway problem, then I am just as free to support unification as any member is to oppose it, and I deny the right of anybody to impugn my motives. Nobody in this Dominion would rejoice more over the success of the Canadian National Railways than I would, nobody would have more reason to—I doubt whether anybody would have as much.

Hon. Mr. DANDURAND: Hear, hear.

Right Hon. Mr. MEIGHEN: I am not an enemy of the Canadian National if I seek to find a better way of handling the railway problem. I am a close friend of the Canadian National, but I am a still closer friend of the taxpayers of this Dominion.

Hon. Mr. CALDER: Hear, hear.

Right Hon. Mr. MEIGHEN: I hold myself free to support anything that will serve the people of Canada reasonably in railway matters and save the taxpayers' money. If any man before this committee points the finger of scorn at someone who has a solution that he thinks is practical, and seeks to pin upon him compulsion to private interests as his motive, I denounce that man as a coward and as unfit to be on this committee.

Hon. Mr. ROBINSON: Mr. Chairman, as regards pointing to me—

Right Hon. Mr. MEIGHEN: Not at all. I had not thought of the honourable member.

Hon. Mr. ROBINSON: I did not intend to impute motives to any member of this committee, if the right honourable gentleman draws that inference from my remarks. I simply stated what happened.

Right Hon. Mr. MEIGHEN: What the honourable member said was, this committee was formed for the purpose of putting over unification. I do not think he should have said that. Now he has brought himself into the discussion.

Hon. Mr. MURDOCK: He said it was for you too. It is for you, I should say.

Right Hon. Mr. MEIGHEN: I am surprised at the member for Parkdale.

Hon. Mr. ROBINSON: I want to be properly quoted. I did not say the committee was formed for the purpose of putting over unification. I said the impression in my system was that there was an intent to put over unification.

Right Hon. Mr. MEIGHEN: All right; I will take that.

Hon. Mr. ROBINSON: All right; and that the chairman of this committee when he moved in the House a resolution for the appointment of this committee, made a very extended and able speech in favour of unification.

Hon. Mr. BLACK: He did not move for the appointment of this committee, Senator Robinson.

Hon. Mr. ROBINSON: Who did?

Hon. Mr. BLACK: I did.

Hon. Mr. PARENT: But somebody inspired it.

Hon. Mr. BLACK: I never discussed the matter before I moved the appointment of this committee.

Hon. Mr. ROBINSON: I beg your pardon. I thought Senator Beaubien moved for the appointment of this committee.

The CHAIRMAN (Hon. Mr. Beaubien): You will have to take that back.

Hon. Mr. ROBINSON: Certainly I have something to take back there.

Hon. Mr. DANDURAND: I think there were twin fathers.

Hon. Mr. MURDOCK: No. Senator Black at the close of last session intimated he was going to do what was done at this session.

Hon. Mr. ROBINSON: I am historically incorrect; it was not Senator Beaubien who moved appointment of the committee. I was going to say that he is the originator of the committee. I do not want to get into too much of a political discussion in this matter, though sometimes I feel like it, because there are some attitudes and discussions in this committee that suggest politics.

Hon. Mr. CALDER: There is no politics at all. Both leaders in the other House are against anything in the nature of unification.

Hon. Mr. ROBINSON: Who said so?

Hon. Mr. CALDER: Both have said so.

Hon. Mr. PARENT: That might be policy.

Hon. Mr. CALDER: Yes; there is huge policy in it.

Hon. Mr. ROBINSON: I am open to conviction that unification is the correct solution, but I do not want to be blind to what is going on. I cannot close my eyes to what is happening. I have to read the signs of the times. I have just as much privilege to do that as anybody else, and I do not think I am a coward in doing so. I do not know how far we want to go into an investigation of a matter of this kind. We all admit that this is a grave problem, and I think every member of the committee would like to find some way of assisting the country to reach a solution of the problem. I do not think there is anything wrong in members of the committee having predilections one way or the other.

Right Hon. Mr. MEIGHEN: Not at all.

Hon. Mr. ROBINSON: That is perfectly natural and right. Some may be predisposed in favour of unification, some may be predisposed against it. It may be more difficult to convince to the contrary those who are predisposed. At the same time we can all bring to bear our best intelligence upon an investigation of all the various questions involved, and do what we think is best in the interests of the country, and not in the interests of any political party. That, I suppose, is what we all are trying to do. We all, perhaps, have political

predispositions, though we try to get rid of them as far as possible when we come into the Senate. We do our very best not to be partisan, and I think members of the Senate have done very well indeed along that line.

I may say, Messrs. Chairmen, that I have always felt there was a disposition in this country to complain too much whenever officials of the Canadian National tried to present their side of the case to the public. It has always seemed to me that there was a continued campaign in favour of the Canadian Pacific's policy of unification. I have long believed that that has been assisted in every way possible by all those who were particularly friendly to the Canadian Pacific, and that we were unfortunate in this country because officials of the Canadian National were not supposed to be able to say anything in reply to the repeated arguments which were being made on behalf of the Canadian Pacific. All over this country speeches have been broadcast and communications have been published in various ways, but I have always felt that the campaign has been one-sided. The fact that Canadian National officials were public servants precluded them, in a certain degree, from telling their side of the case, and about the only opportunity they have had to do it has been before this Committee. I do not think that intelligent people in this country want to be sampeded in any direction at all.

Right Hon. Mr. MEIGHEN: We have not precluded them, Senator.

Hon. Mr. ROBINSON: No; we have given them a fair opportunity.

Right Hon. Mr. MEIGHEN: Twice.

Hon. Mr. ROBINSON: I think that is what we want to do. And I think we want to give both sides a fair opportunity. I should like to divest myself of all predispositions of every kind, and be prepared to vote on this question, when it comes to a vote, according to what seems to me to be the best interests of the country, not the best interests of any organization or of any group of propagandists.

We have been discussing all morning the question of the terminals—

Hon. Mr. DANDURAND: Of a union station.

Hon. Mr. ROBINSON: —at Montreal. I do not know how far we should go into that question. If we are going into it at all, I suppose we should have to go into it very fully, as Senator Calder said, and have witnesses here for examination. I do not know that this one matter is a big part of this whole question.

Right Hon. Mr. MEIGHEN: Have we not already gone into it at great length?

Hon. Mr. ROBINSON: I know what is in your mind.

Right Hon. Mr. MEIGHEN: How can you argue that we should hear just one side, and not the other?

Hon. Mr. DANDURAND: But what is the other side?

Right Hon. Mr. MEIGHEN: We shall know when we hear it.

Hon. Mr. DANDURAND: It is the Windsor station scheme.

Right Hon. Mr. MEIGHEN: Is it because it is the Canadian Pacific that you will not hear it?

Hon. Mr. ROBINSON: I have not argued¹¹ that.

Right Hon. Mr. MEIGHEN: No, and I do not think you would. But the leader has.

Hon. Mr. ROBINSON: The only question in my mind is whether we should bother with it at all, whether we are not wasting our time over it.

Right Hon. Mr. MEIGHEN: It is pretty late to say that, after having heard half the story.

Hon. Mr. DANDURAND: We have heard our own people, the Canadian National, explain the situation.

Hon. Mr. ROBINSON: It is a big question. I could go on and talk a long time, but perhaps I have taken too much time already. I was more or less drawn into the thing by remarks made by other members, and I frankly stated how I feel with regard to unification. But I do not want to make reflection against anybody. I would not for the world make a reflection against any member of the Committee. I have the highest respect for both Chairmen and all other members. Even if one of the Chairmen is in favour of unification, that is nothing against him.

Right Hon. Mr. MEIGHEN: Hear, hear.

Hon. Mr. ROBINSON: That does not lessen our respect for him. It is a privilege of every member to have predilections. I hope I have made myself clear.

Hon. Mr. MURDOCK: Mr. Chairman, I think I am entitled to say at least a word or two. I understood my friend Senator Meighen to intimate that a person might be a coward by making certain statements in certain circumstances. I have never in my life been charged with being cowardly, and therefore I am not accepting that as directed against me just now. I want to call attention to at least one thing in connection with this dominant sentiment, as I see it, on the part of certain individuals, in favour of unification. Earlier this year representations were made here in favour of having a very prominent and distinguished Canadian from the province of Alberta brought before the Committee to present certain views, and for the first and only time since these hearings began last session the right honourable senator opposite (Right Hon. Mr. Meighen) urged that that gentleman's expenses be paid. We all know what he stated—we have the record of the proceedings of March 29—we all know that he made a strong and determined statement in favour of unification of the railways. He made statements that were absolutely untrue, as can be shown a little later. And whom did the gentleman represent? On page 89 of the record he said, "I represent no one but myself." Still he presented a very long and exhaustive statement, urging, from every angle that could be devised, that the only hope for the forgotten taxpayers of Canada was in unification. That sums up what he said. And his expenses to come here and present that very long and exhaustive argument were paid. He stopped at Toronto on the way and he saw the officers of the Citizens' Group for Railway Action, which should be more properly known as the Citizens' Group of Canadian Pacific Shareholders, I think; and two or three days later there was sent to us from the Citizens' Group a printed copy of the arguments that were made before the Committee.

Hon. Mr. PARENT: What is the gentleman's name?

Hon. Mr. MURDOCK: Mr. Peterson. He is a very high-class and experienced gentleman. But is anybody going to ask me to stultify what little intelligence I may have and assume for one moment that certain distinguished gentlemen did not know what that Mr. Peterson was going to promulgate before this Committee? I cannot do it. I am convinced that it was generally known—

Hon. Mr. HAIG: What?

Hon. Mr. MURDOCK: I do not say that to my right honourable friend. Do not be too touchy.

Right Hon. Mr. MEIGHEN: I will show you everything you want to see.

Hon. Mr. MURDOCK: I think it was generally known what it was that he was coming to place before this Committee, and that was one of the main reasons why the pressure was put on. And without a vote, because we did not bring it to that, it was decided that his expenses from Calgary to Ottawa, and I presume return, should be paid.

I am just as interested as anybody in looking after the forgotten taxpayer, about whom we have so often heard from our distinguished Chairman and some others. First, last and all the time I should like to save the forgotten taxpayer from what I think the proposals of some distinguished gentlemen contemplate, namely, the placing of a very much heavier burden upon his shoulders,—the \$32,000,000 more or less which shareholders used to get in years gone by. That is my position and will be my position. We certainly had enough bonds loaded on to us in 1921 and at other times, without assuming the obligation to take care of another \$32,000,000.

Hon. Mr. CALDER: What is your authority for that last statement?

Hon. Mr. MURDOCK: Only the judgment—

Hon. Mr. CALDER: A hunch?

Hon. Mr. MURDOCK: Only the judgment that anyone can have. I am making no criticism because we assumed obligations of the Canadian Northern and the Grand Trunk Pacific and other holdings in 1921. I think we did the fair and big thing at that time in assuming them, and that it would have been discreditable to Canada to do anything else. But in view of what we did at that time, I ask anybody could we be expected to welfsh if we were confronted with a similar situation again?

Hon. Mr. CALDER: The evidence is against you.

Hon. Mr. MURDOCK: As you see it.

Hon. Mr. CALDER: No, the evidence itself, not as I see it.

Hon. Mr. DANDURAND: Mr. Chairman, I suppose we should bring this discussion to a conclusion. I should like the members of the Committee to turn this matter over in their minds, and to that end I would suggest that we suspend the discussion now. We may come back after the Senate rises this afternoon or this evening. There seems to be a line of cleavage between myself and some other members of the Committee as to whether we should examine into the expenditure of this \$12,000,000, and then further take up the question of whether Windsor station or the Canadian National terminal station should be used as a union station. I intend to ask that the Committee should not go into that. I submit we should not examine into a matter that I deem to have been settled by an Act of Parliament in 1929, a project that has been proceeded with and is now being proceeded with. I submit we should not bring in experts and engineers of the Canadian Pacific, to speak in favour of the Windsor station, and engineers of the Canadian National, to speak for their plan. How much further ahead should we be if we spent days and days discussing that matter, which is a highly technical one? I claim that this Committee has not the necessary training or knowledge to pronounce upon it. Besides, I say it is too late to pronounce upon the question, because the Canadian National are building and developing their terminal for themselves, and it has nothing to do with the Canadian Pacific. I stand by this line of cleavage, and I should like the Committee to think over the matter until we meet again, either this afternoon or evening.

Right Hon. Mr. MEIGHEN: I am the one who urged strongly that we bring Mr. Peterson here, and I have no apologies to offer for doing so. His evidence fully justifies his appearance here. Mr. Peterson wrote me that he would like to be heard. I acknowledged his letter and asked him to write to the chairman. That is some months ago. One's recollection may be wrong after that lapse of time, but I will give my recollection of his letter. From it I gathered that he wanted to give evidence on another phase altogether: the effect on the rest of certain policies being pursued by the railways. My recollection is sometimes right, and in this case it is that he never said a word about unification. But he had, and had told me just where he stood on it, I would have been just

as eager to have him attend, and I would have no apologies to make to the Senator from Parkdale. I know Mr. Peterson, and I know also his standing in the West. He is not the man to get up and say, "I represent the western farmers." He represents no organization. Everybody else who has appeared before us represented some organization. But by virtue of his standing in that country—and I appeal to every western member if my words are not true—Mr. Peterson was well qualified to give evidence. There is no man can speak the feelings and opinions of the western farmers so well as he can, and so they are behind him.

Hon. Mr. DANDURAND: But I think he said he did not know the sentiment of the farmers.

Right Hon. Mr. MEIGHEN: He is not the man to say, "I speak for this or that person"; but by his representative position he does speak for the western farmers, and that is why I urged that he be brought here. I do not think any member of the committee is sorry to have heard Mr. Peterson, no matter what his views were; and I do not think any member of the committee is sorry we paid his expenses. Did any man appear before us not representing some particular interests? Not at all. Some did very directly. After all, is it right that Mr. Peterson should pay his own way? Why should we be harping on that? He did a good day's work in the statement he made here.

I am not going to contest further the whole issue. A suggestion has been made that we think it over. If when we are in the middle of the evidence and have heard all on one side, the leader of the House wants to put a motion that we do not hear the other side, and it carries, we have got to submit. I invite him to do it.

Hon. Mr. DANDURAND: I would qualify that impression. That we do not hear the other side on the Windsor street station scheme would be my motion.

Right Hon. Mr. MEIGHEN: What other side would you hear?

Hon. Mr. DANDURAND: I do not want to bring into the pit the Canadian Pacific to fight for their Windsor street station as a union station at this moment.

Hon. Mr. CALDER: I rather like the suggestion of the leader of the House that we should have time to think this over a bit more. I cannot help but feel that going into an exhaustive study of the terminal situation in Montreal would be very long-drawn out and require the evidence of experts, and we would probably be days and days at it and, as some person suggested on the other side when we were through with it we would be more or less befuddled ourselves, for it is a very technical matter. I am merely throwing out this suggestion at the present time. We have had the situation as it was pictured to us in 1929. Evidently the C.P.R. had certain experts, and the Government had theirs, they had Sir Frederick Palmer from the Old Country. Finally Sir Frederick made his report, and action was taken on that report. It has been drawn to our attention that one of the C.P.R.'s own experts at that time was opposed to making the Windsor street station a union station. Am I right in that?

Hon. Mr. DANDURAND: I have not the statement of Mr. Stewart before me but my recollection is fairly good that he said the Canadian Pacific has its own stations and should maintain them.

Hon. Mr. CALDER: If it is finally concluded we should not go into detailed evidence of that whole situation, even from the standpoint of the present time I think this committee should at least have the opportunity of getting a statement, say, a twenty-minute or half-an-hour statement at most, from the other side to this controversy as to why they have changed their mind, that is, in regard to the principles or grounds upon which they take a different attitude to-day from what they took in 1929.

Hon. Mr. DANDURAND: The C.P.R.?

Hon. Mr. CALDER: Yes.

Hon. Mr. DANDURAND: Oh, they never changed their mind; they were for the Windsor street station from A to Z, all the time.

Hon. Mr. CALDER: I understood it was one of their experts.

Hon. Mr. DANDURAND: It was one of their experts who came and gave that opinion.

Hon. Mr. CALDER: Could we not limit the inquiry to a short statement of, say, half-an-hour's duration, without going into details, as to why they think it would be possible to have a different terminal arrangement at Montreal from that which is under actual construction at the present time?

Hon. Mr. DANDURAND: I am not ready to accept that proposition, because if you open the door into that question of the union station, as between the Windsor street station and the Canadian National terminal, then you open it wide.

Right Hon. Mr. MEIGHEN: It is open now.

Hon. Mr. DANDURAND: No, it is not open now, and I intend, as far as I can, not to open it. That is why I say, let the members of this committee decide what their action shall be, for I intend to see, as far as it is in my power, that the question of the Windsor street station and the terminal in Montreal be not reopened before this committee. The position is clear-cut. Last week—I am simply repeating what I said then—the president, Mr. Hungerford, said, “Yes, I am in favour of examining into a union station, and the terminal will provide facilities for a union station whenever the C.P.R. see fit in their interests to come to it.” The question was put to him, “Are you in favour of a union station?” He said, “Yes, at the terminal, and only at the terminal.” Sir Edward Beatty, for the Canadian Pacific, said, “Yes, I am in favour of a union station at the Windsor street station.” The line of cleavage is clear. Why try to bring evidence before this committee in order to attempt to justify one of those two theses?

Right Hon. Mr. MEIGHEN: You have done a lot of it already.

Hon. Mr. DANDURAND: I do not intend, if I can help it, to bring any experts on both sides to revert to the situation which was settled in 1929, and upon which we have acted. And, remember, the situation in 1929 was brought about by an Act of Parliament authorizing, by Order in Council, the Railway Board to approve plans and proceed with the terminal. They have proceeded. This is the situation. Still Sir Edward Beatty is not satisfied. And he says to the Canadian National, “Let us revert to the old situation and you come into my yard.” The Canadian National replies, “You may come into our yard if you want to, but we are not pressing you to do so.”

Hon. Mr. HAIG: I should like to ask Senator Dandurand a question. The public are disturbed over the \$53,000,000 lost last year by the Canadian National, in view of their liabilities, not including liabilities already incurred directly by the Government. They are also disturbed that after five years of co-ordination the most the railroads can show, provided the Board of Transport Commissioners offer them all the facilities they ask for, is a saving of \$2,000,000. That is the evidence here. In face of that possible saving of \$2,000,000 by co-operation, the Government or the C.N.R., or both together, intend to spend \$12,000,000 odd in the city of Montreal. At best the experts who appeared before the House of Commons committee could show very little increase in either earnings or operation savings by such a venture.

What the public wants to know is this: is there any co-ordination suggestion we can make whereby the railways can bring about really substantial economies? After five years the two railways are able to save only \$2,000,000, and yet, in one jump, this Parliament votes \$12,000,000 on an undertaking that, as I say, at best can show very little, if any, savings at all. The public cannot understand why we, as a committee, can sit here day after day, week after week, and month after month, and shut our eyes to that

fact, instead of inquiring the reason for this further expenditure. It is ten years since any money was spent on the Montreal terminal. I believe the public expect the Canadian National to carry on for five or ten years, or maybe only one year, until conditions justify belief that railway traffic is increasing. The public expect to have some justification for this further heavy expenditure.

Hon. Mr. CALDER: There is only one justification for it, that is the unemployment situation in Montreal.

Hon. Mr. HAIG: That represents 40 per cent.

Hon. Mr. ROBINSON: There are other arguments.

Hon. Mr. DANDURAND: This is the question put to Mr. Fairweather by Mr. Deachman in the Commons Railway Committee and Mr. Fairweather's answer:

Mr. DEACHMAN: Could you give us an idea of any savings that would be possible, and what exactly the advantages would be?

Mr. FAIRWEATHER: I touched on that question in my memorandum; that our freight facilities in Montreal are cramped, and there is an opportunity for a very substantial improvement by re-arrangement. But we cannot begin to re-arrange your freight facilities until you get rid of your passenger facilities, because they are all mixed together; and consequently when you get rid of your passenger problem by terminal development it will enable you to turn your attention to the freight lay-out; and when you do that you are going to get economies that are really of a very substantial nature.

Now my honourable friend says the people are disturbed over the fact that there is a deficit of \$50,000,000 odd on the operation of the Canadian National Railways. We had last week a statement showing where those deficits are incurred.

Hon. Mr. HAIG: Do not misunderstand my question, Senator Dandurand. The people are disturbed about that annual deficit of \$50,000,000 or \$40,000,000. But the point is they are still more disturbed by the fact that you are deliberately going ahead and spending \$12,000,000 more on the Montreal terminal. True, Mr. Fairweather says he thinks some saving can be made by that expenditure, but he never dared even to justify it on grounds of economy, that, for instance, it would be possible to save interest on the investment. Why should we not inquire from Mr. Fairweather and from the experts on the other side as to the justification for this increased expenditure.

Hon. Mr. DANDURAND: What other side?

Hon. Mr. HAIG: I do not know of anybody opposite.

Hon. Mr. DANDURAND: Then you are bringing in the C.P.R. and they will be intervening in the affairs of the Canadian National Railways.

Hon. Mr. HAIG: I do not want the C.P.R. at all. I want somebody to say to me and the public, "By spending \$12,600,000 we can not only save interest on that money, but we can save a further sum that will justify the added expenditure." I believe, with Senator Black, that we shall spend not only the \$12,600,000, but before we get through the expenditure will be twice that amount.

The difficulty is that since 1921 Canadian National employees generally have voted for a certain party nearly, if not, every time. That is the disturbing thing that challenges this investigation. That is why the country is very much concerned over the railway situation. They see \$12,000,000 odd dumped into a hole in Montreal, and from past experience they are persuaded that that sum will not finish the job.

I want the experts of the C.N.R. to come here and, on their reputation, say, "We can save not only interest on the \$12,600,000, but that money will finish the job, and we won't need any more." I have read the evidence taken before the Railway Committee of the other House. It contains no such assurance. Mr. Fairweather was pressed on that point. He said: At the present time for what we propose this will be sufficient, but there will be more work to do when the business increases. I want justification for the \$12,600,000 expenditure, not from the C.P.R. I do not care about the C.P.R. on the question. I would not spend \$12,000,000 odd of my own money unless I saw a fair prospect of getting interest on my investment to justify my making it.

Hon. Mr. DANDURAND: This is the statement that was made before the Railways and Shipping Committee of the other House on behalf of the Canadian National:—

STATEMENT OF CANADIAN NATIONAL POSITION WITH REGARD TO THE MONTREAL TERMINALS

Following upon a careful study of all factors, the Canadian National board of directors decided to resume work on the Montreal project of the railway, but on a substantially modified plan. The study made showed that while passenger operating savings alone would not give an adequate return on the investment immediately, the segregation of the passenger terminals and coach yards made possible future adjustment of separate freight handling facilities which would justify the expenditures involved and to be involved. Added to this were the practical necessity of dealing with an aggravated situation of four passenger terminal stations on one system conducted and operated with little relation to each other, public service and convenience, grade crossing and congestion atrocities, the future of the city, growth of traffic and other important collateral considerations.

As to the necessity of the work being undertaken in the near future there could be no question; and the undertaking of the work at this time made possible a saving in cost of approximately 40 per cent, which is to be defrayed as an unemployment project and not chargeable to the company.

The factors studied by the board of directors were as follows:—

(A) The necessity for rational co-ordination of passenger and freight terminals of the Canadian National in the interests of efficiency and economy.

(B) The adverse effect, financial and otherwise, upon the operations of the company through the continual use and maintenance of antiquated and unco-ordinated terminal facilities inherited from predecessor companies.

(C) The long-standing grade crossing problem in Montreal.

(D) The effect upon the development and growth of the city, industrially and otherwise.

(E) The provision of a satisfactory suburban service between South Shore communities and the centre of the city.

When you ask Mr. Fairweather to explain this and he tells you how passengers are treated on the South Shore, dumped on McGill street with hardly a cover, you will understand what this means. Thousands of people use that service every day.

(F) The amount of money already invested in the property standing idle.

(G) The necessary developments in the light of present day conditions and requirements as well as future necessities, including eventually, if decided upon, a union terminal.

But of course that is not a matter for to-morrow, but for whenever the Canadian Pacific say it is in their interests to come to that terminal.

(H) The pre-eminent suitability of the location of the central station for a union terminal demonstrated by exhaustive study of the situation by the company's engineers as well as by a special independent study made by Sir Frederick Palmer, M.Inst.C.E., M.Am.Soc.C.E., who was engaged by the Dominion Government for the purpose.

And one must not forget that it was Hon. Charles Dunning, the then Minister of Railways, who called upon that gentleman to make a study and act virtually as an arbitrator. A synopsis of the consideration which was given to each of these factors by the Canadian National board of directors is then given in the report of the House of Commons committee.

Hon. Mr. HAIG: That is the same kind of memorandum the Canadian National gave when they built the Bessborough hotel at Saskatoon and the hotel at Vancouver. I know that Mr. Fairweather is a clever enough man to have justified this investment in dollars and cents figures, if it had been possible, and it was only because that was not possible that he entered into that surplusage of words.

Hon. Mr. DANDURAND: My honourable friend knows very well that when it comes to a question of unscrambling the services—

Hon. Mr. HAIG: Mr. Fairweather could have given the figures, if it was possible.

Hon. Mr. DANDURAND: I have no objection to putting Mr. Fairweather on the stand so that you may ask him the question.

Hon. Mr. HAIG: You ask me to accept the evidence that was given before the House of Commons committee. I have read that evidence carefully, and I could find no place where Mr. Fairweather or the directors or anybody else justified, on the basis of dollars and cents, the spending of the money. I think we ought to be able to call experts to find out what this money would do. That is what we should investigate.

Right Hon. Mr. MEIGHEN: If their case is so very strong, Senator Dandurand, why do you fear to hear the other side?

Hon. Mr. DANDURAND: What other side?

Right Hon. Mr. MEIGHEN: The side against these people.

Hon. Mr. DANDURAND: Into this picture of the needs of the Canadian National you want to bring the Canadian Pacific experts.

Right Hon. Mr. MEIGHEN: Why not? Any expert at all. You tell us that we must accept the Canadian National on everything. You tell us: If you do not accept the C.N.R. on everything I am going to vote you down. If somebody holds another view, he cannot be heard, especially if he represents the Canadian Pacific. We will not hear any other view than the one we have put in.

Hon. Mr. DANDURAND: The question is whether the Canadian Pacific should come here and try to divert the attention of this Committee in favour of Windsor station as a union station. I say, No. If you want to call Canadian Pacific representatives to discuss internal affairs of the Canadian National, I say, No.

Hon. Mr. HUGESSEN: Honourable senators, I am the only senator from Montreal who has not taken part in this discussion this morning. As the town I come from is very much interested in this thing, it behooves me to say a word

or two. I venture to suggest to Senator Haig and other members of the Committee that the hearing of evidence from experts of the Canadian National and the Canadian Pacific would not be all we should require in order to get a complete picture of this situation. I doubt very much whether Mr. Fairweather or anybody else could justify the expenditure of \$12,600,000 simply on the basis of additional revenue which the railway expected to derive therefrom. But I would point out, honourable senators, that there are very many other considerations involved. Forty per cent of this expenditure is coming under the head of unemployment relief in the city of Montreal. Are we going to inquire into the policies of the Government with respect to unemployment relief, in order to consider whether there is justification for the spending of this money in the city of Montreal for relief of unemployment? Then, of course, there are other matters of general public policy which the Government had to take into consideration with respect to this matter—

Right Hon. Mr. MEIGHEN: Do you say, Senator, that we should never inquire into the wisdom of any Canadian National project so long as the Government put some money into it for unemployment relief?

Hon. Mr. HUGESSEN: No, I would not say that.

Right Hon. Mr. MEIGHEN: That is what you are arguing.

Hon. Mr. HUGESSEN: Forty per cent of this expenditure is for unemployment relief. When many millions of dollars are being spent each year for unemployment relief, it is far better to spend some of it for the completion of something like this than for keeping men in idleness.

Right Hon. Mr. MEIGHEN: That may be true. But let us hear the other side.

Hon. Mr. HUGESSEN: With all the sarcasm of which he is capable the right honourable senator tells us about the necessity of listening to the other side. I am trying to point out that there are many other sides. There are not only the Canadian National and the Canadian Pacific sides.

Hon. Mr. HAIG: Let us hear them.

Hon. Mr. HUGESSEN: If you decided to hear them, it would not be half an hour you would need but half a year, as one of the members has already remarked.

Right Hon. Mr. MEIGHEN: Why did we start on this?

Hon. Mr. HUGESSEN: May I be allowed to complete my statement? I hope I am not getting under the skin of my right honourable friend.

Hon. Mr. MURDOCK: Some people want to put the plaintiff on the bench as judge.

Hon. Mr. HUGESSEN: There is the side of the City of Montreal. We have a gash in the side of our mountain, a terrible looking thing, which has been there for many years. If this terminal is completed it will mean a great deal from the point of view of traffic facilities in the city of Montreal, clearing up congestion on the streets, and so on.

I will repeat what I was trying to say, that if we go into this thing completely we shall have to hear more than the experts from the Canadian National and the Canadian Pacific; we shall have to hear representatives from the city of Montreal, and we shall have to get the Government here to state what their policy is on unemployment relief. And I venture to say that not only would such an inquiry take many months, but the Committee would thereby be going into matters which are very far outside its purview and its terms of reference.

Right Hon. Mr. MEIGHEN: My only answer to that is that if we have no interest in this question we never should have entered into it.

Hon. Mr. HUGESSEN: I did not say we had no interest in the question. I was trying to point out to the Committee whom we should have to hear if we are going to make a complete inquiry.

Right Hon. Mr. MEIGHEN: The honourable senator cannot get away from the conclusion to be drawn from his remarks, which is this, that having heard the case as put by Mr. Fairweather—

Hon. Mr. HUGESSEN: We have not heard that.

Right Hon. Mr. MEIGHEN: Yes; his memorandum has been sent to us. Now you are saying that we must stop there, that we cannot hear the other side, because it would take too long.

Hon. Mr. DANDURAND: I should like to ask: Who is the other side? I still insist that on a matter affecting the domestic policy of the Canadian National Railways it would not be a decent thing for the Canadian Pacific—

Right Hon. Mr. MEIGHEN: Have we not heard the other side on everything else?

Hon. Mr. DANDURAND: —it would not be a decent thing for the Canadian Pacific to discuss it and try to revert to a suggestion of theirs which was made in 1929 and absolutely rejected.

Right Hon. Mr. MEIGHEN: There is not a thing we have had before this Committee which does not affect the Canadian National's internal policy. We cannot possibly do our work without investigating the internal policy of the Canadian National.

Hon. Mr. DANDURAND: I do not object to that.

Right Hon. Mr. MEIGHEN: And with respect to everything, up to now, we have heard the other side. With respect to everything else we have heard views as to what better could be done to save money to the country, but when we get to this thing we are told that we must only hear the Canadian National and then we must shut up.

Hon. Mr. DANDURAND: We may examine into the Canadian National situation, as was done in the House of Commons committee.

Right Hon. Mr. MEIGHEN: But not hear the other side?

Hon. Mr. DANDURAND: But not allow their rival, the Canadian Pacific, to interfere in the affairs of the Canadian National.

Right Hon. Mr. MEIGHEN: Does not everything affecting the Canadian National policy concern the Canadian Pacific, just as it concerns every taxpayer, and indeed far more directly? Everything that has to do with economy in railway service in Canada concerns the Canadian Pacific, whether it is the internal policy of the Canadian National or not. We never should have met here if we are to pursue the course that is now suggested.

Hon. Mr. DANDURAND: Will my right honourable friend answer me this question? What interest has the Canadian Pacific in the fact that the Canadian National is improving its terminals in Montreal, and how is the Canadian Pacific affected by that?

Right Hon. Mr. MEIGHEN: In several ways. First of all, it is the biggest taxpayer in Canada. It is certainly affected in that respect, and very seriously.

Hon. Mr. DANDURAND: But it is gathering its taxes from the people, all the same.

Right Hon. Mr. MEIGHEN: So is everybody. The honourable gentleman should not have made that statement.

In the next place, the course pursued by the Canadian National all these years has made it impossible for any competing road successfully to proceed along the line of economy. The Canadian Pacific railway therefore has a very direct interest in economical policies with respect to matters affecting the Canadian National Railways. There is no institution in Canada that has so much interest in this terminal.

Hon. Mr. DANDURAND: Are they interested in any improvement that the Canadian National Railways are interested in having?

Right Hon. Mr. MEIGHEN: Certainly. If there is a more economical railway policy to be pursued in which they can join, they are interested just as particularly as they can be, and it is our absolute duty to hear them, because if they can show that the people of Canada can save money by another policy, then it is not only good to them, maybe first of all, but—

Hon. Mr. DANDURAND: As the Windsor street station.

Right Hon. Mr. MEIGHEN: —but for the whole country.

Hon. Mr. DANDURAND: We started that in 1929.

Right Hon. Mr. MEIGHEN: We could not hear a particle of evidence if the honourable gentleman introduced that principle and enforced it from the beginning.

Hon. Mr. DANDURAND: I say this question of the terminal of the Canadian National in Montreal appertains to the interest of the Canadian National alone, and that it is not for the Canadian Pacific to intervene and say, "We think those improvements are discussable."

Right Hon. Mr. MEIGHEN: Would not the same thing apply to what should be done in respect of the Canadian National road from Woodstock to Windsor?

Hon. Mr. CALDER: And to every terminal in Canada.

Hon. Mr. DANDURAND: There is the joint interest of the two railways—

Right Hon. Mr. MEIGHEN: Sure. And there is the joint interest of the people.

Hon. Mr. DANDURAND: —in the terminal at Montreal?

Right Hon. Mr. MEIGHEN: Of course. If the Canadian National should give up a line, and we discussed whether it should or not, that is a matter of internal policy of the Canadian National, true; but if there is a co-operative policy of economy, then it is equally something in which the Canadian Pacific is interested.

Hon. Mr. MURDOCK: Would it apply to cars?

Right Hon. Mr. MEIGHEN: If another policy will promote co-operation, then we hear the other side. The honourable senator is ready to apply that principle to everything else, but once we get into the sacred precincts of the terminal at Montreal, he says, "Hands off, you other fellows, keep out! We will hear one side." I object to that procedure.

Hon. Mr. DANDURAND: The answer is very simple. The Canadian Pacific has its own station and is satisfied with it.

Right Hon. Mr. MEIGHEN: It has its own road from Woodstock to Windsor.

Hon. Mr. DANDURAND: But that is a question between the two roads where economies can be effected.

Right Hon. Mr. MEIGHEN: And we inquire whether those economies should not be carried out; but here we are told we should not inquire.

Hon. Mr. DANDURAND: From the beginning we opened the door to allow the C.P.R. to defend its Windsor street station as a union station. That has been discarded, and the Canadian National says, "The only solution is that of Sir Frederick Palmer, which we embodied in the Act of 1929."

I move the committee adjourn now, to meet again after the Senate adjourns this afternoon.

Hon. Mr. ROBINSON: May I ask, is this document forwarded to us to be made a part of the record?

Right Hon. Mr. MEIGHEN: It is in the hands of everybody and has been quoted from.

Hon. Mr. DANDURAND: Yes. I suggest it form part of the record as delivered here.

Hon. Mr. BLACK: I do not think that should be done until we decide what we are going to do about it.

Hon. Mr. ROBINSON: Senator Meighen said it is not part of the record.

Right Hon. Mr. MEIGHEN: It is part of the record in that it has been read by us.

Hon. Mr. BLACK: If we are not to go into the question and hear evidence, I do not think we should put it in at all.

Right Hon. Mr. MEIGHEN: We have all got it.

Hon. Mr. BLACK: Quite true. But if the decision of this committee is that we are not to go into that question further and hear references from other sources—

Hon. Mr. PARENT: It is on record already.

Hon. Mr. BLACK: I do not think we should deal with it now.

Hon. Mr. DANDURAND: I think all that matters is in type, and that since we have spoken of the terminals in Montreal, we should have the explanation given by the Canadian National in the other committee.

Right Hon. Mr. MEIGHEN: All right.

Mr. FLINTOFT: Mr. Chairman, I intervene at this stage with a great deal of hesitation as representing the other side—what I may term one of the other sides. This is possibly an octagonal situation.

I do not wish to state the Canadian Pacific case, but, with great respect, I should like to deal with some misconceptions in connection with this matter. I think the report of Sir Frederick Palmer has been misunderstood in certain respects. In the first place, his position apparently has been misunderstood. He may be spoken of as an arbitrator, but, ordinarily speaking, both sides join in appointing an arbitrator or, in case of failure to agree, he is appointed by the court. But in this particular case the Canadian Pacific had nothing to do with his appointment.

Sir Frederick Palmer in his report did look forward to a union station and stated, incidentally—if I remember the figures rightly—it would cost slightly over \$50,000,000 to bring the Canadian Pacific into that station. That is the central station.

Hon. Mr. DANDURAND: How many millions?

Mr. FLINTOFT: No; \$28,000,000. His total figure was \$83,000,000. It was \$50,000,000 without that particular work.

As Senator Dandurand said, that report was adopted in 1929.

About that time, in fact really before Sir Frederick Palmer was appointed, we filed a report, made by a terminal engineer from the United States, Mr. Smith. A figure of \$20,000,000 has been quoted as coming from that report. But that \$20,000,000 was for a complete unification of the terminals of the two companies, and it is not fair to compare that with the \$12,000,000 figure that has been under discussion, because this \$12,000,000, as I understand from Mr. Fairweather's evidence, provides for a partial completion of Sir Frederick Palmer's scheme for the use only of the Canadian National Railways.

Since 1929 a great deal of water—or water in the form of money—has gone under the bridge. Financial conditions have so completely changed that, following the passage of the 1933 Act—and I suggest that that is a material change which has not perhaps been present to the minds of the committee—the engineers of the two companies got together and made a joint report, which is on record and to which we propose to refer.

[Mr. E. P. Flintoft, K.C.]

In that joint report they made certain findings as to the capacity of the Windsor street station to handle the traffic of both companies, and showed that it was quite feasible.

Hon. Mr. CALDER: Who first put his nose in the other person's pot?

Mr. FLINTOFT: I could not say. It was under the co-operative committee. They directed an investigation and appointed this sub-committee of two engineers, one representing the Canadian National and the other the Canadian Pacific. Mr. Gzowski, Chief Engineer of Construction of the Canadian National, and Mr. Armstrong, at that time assistant engineer of the Canadian Pacific, made this joint report.

In our view this is the largest single opportunity for effecting co-operative savings that has arisen since the passage of the 1933 Act. We have no desire whatever to interfere with the domestic problems of the Canadian National, but we have been working along under this co-operative act which, as Senator Meighen has pointed out, in practically every case that arises does involve a certain interference with the domestic policies of one or other company.

We suggest, with the greatest respect, that this is a matter which is preeminently one for inquiry before this committee. Ex parte statements have been made from time to time in regard to this Montreal terminal situation. As far as I am aware, the Canadian Pacific has never been called upon to participate in those discussions. We think it would be of great value to the committee if it had an opportunity at the present time of hearing what has been termed here this morning, "the other side of the question." That is all we suggest. We have prepared a statement and are ready to put it before you, and we think we can give you some valuable information on the question. We feel that this committee will not have adequately discharged its functions unless it hears that point.

As I read his statement, the Hon. Mr. Dandurand said in the House that this whole question would be gone into by the committee. In the early stages of the sittings he said that when we come to co-operation the Montreal terminal question will no doubt be brought up. In view of those statements, we took it for granted that this was one of the things the committee would naturally want to know something about, and consequently we prepared a statement and are ready to give it to you. I wanted to clear up some misconceptions which might be in the minds of members of the committee, and I hope you will be good enough to hear the statement that we are ready to submit to you.

Hon. Mr. DANDURAND: Of course, Mr. Flintoft, this matter opens up the question of adopting the Windsor street station as a union station.

Mr. FLINTOFT: As has been stated, sir, and as you said this morning, this committee cannot order the Canadian National to go into the Windsor street station, nor can it order the Canadian Pacific to go into the terminal station. But we think it would be very valuable to this committee if we might give what, in our view, are cogent reasons why the Windsor street station should be adopted to serve the joint interests.

Hon. Mr. DANDURAND: That is the problem you want to put before us, to revert to the question of adopting the Windsor street station as a union station.

Mr. FLINTOFT: Purely, sir, from the standpoint of effecting savings to the two railway systems. We have no desire whatever to interfere with any Canadian National domestic problem in this matter. It is simply a question of whether we, the two companies, can effect a saving and serve the public adequately in some other way.

I might say, sir, that I think you have perhaps misunderstood Mr. Stewart's report. As I remember it, his report was to the effect that the situation in Montreal could best be served by a joint station for the east at Place Viger, and either separate stations or a joint station in the west-end for the service of the two railways.

Hon. Mr. DANDURAND: Either joint or separate, and then develop the Bonaventure station.

Mr. FLINTOFF: But he did not reject a joint station, sir. What he did say was that there should be two joint stations: Place Viger, for the east end, and either a combination of Bonaventure and Windsor street for the west end, or, if that was going to cost too much, the development of them separately. But he did not reject joint stations.

Hon. Mr. DANDURAND: But he stated that the Canadian Pacific were well provided with terminals,—Windsor street and Place Viger.

Mr. FLINTOFF: We think so, too. And I think it is pretty well recognized among railwaymen that the Canadian Pacific's entrance into Montreal West is one of the best natural entrances into any city of its size on the continent. You see, we get right into Montreal West without a grade crossing at all. Then we have these suburban stations developed: Westmount and Montreal West, which are yearly becoming more valuable; and Park Avenue, in the north, which serves the whole northeastern section of the city. No matter what you do, you will never get the people from that part of the city to double away down to the centre of the city to take a train which goes past their door on the way out. You know that for the skiing traffic and all that traffic for the north and the east, Park Avenue is the station. We cannot get away from Park Avenue. If the tunnel terminal were adopted as a union station you would have to abandon Park Avenue, Montreal West and Westmount, unless you spent \$28,000,000 to get the Canadian Pacific into Montreal. If I remember rightly, sir, you said in the Senate that as to traffic from the north, south and east, the Canadian Pacific will come into the tunnel terminal willy nilly. Of course, I cannot agree with that view.

Hon. Mr. DANDURAND: I was stating the long view.

Mr. FLINTOFF: Well, it is a very long view, sir.

Hon. Mr. DANDURAND: Yes, it is.

Mr. FLINTOFF: I think that as every year goes by these suburban stations become more valuable. The city is spreading to the northeast and north. As you know, sir, the opportunity for growth in Montreal is to the north, behind the mountain. The public would be up in arms if there was any suggestion to close Park Avenue, Montreal West and Westmount.

Hon. Mr. DANDURAND: The Canadian National has its tunnel terminal, which it is using now. If it develops it on the line of joining Victoria Bridge to the terminal, it hampers in no wise the operations of the Canadian Pacific.

Mr. FLINTOFF: No, but we think and we would hope to be able to show that the Canadian National can be served just as well at Windsor street station, with very much less expenditure.

Hon. Mr. DANDURAND: That was the proposition which was made in 1929 and rejected.

Mr. FLINTOFF: Of course Sir Frederick Palmer, as you know, sir, had a very much more elaborate scheme before him. At that time a very much more extensive station layout was proposed, with a double track line from the tunnel around to the west, joining with their main line away out at Pointe Claire and a connection there to the east joining the line from Joliette. That was his great picture. It was a lovely picture, if you had unlimited means. But the

[Mr. E. P. Flintoff, K.C.]

situation has vastly changed since 1929, and that is not the scheme being proposed at the present time. The present scheme is virtually a stub-end station, with all trains approaching from the west and south across the canal. Trains to and from the West have to cross the canal twice.

Hon. Mr. ROBINSON: As I understand, your view is that there should be a union station, but you submit that it should be the Windsor street station. That is, you realize the urgent necessity of some improvement in the Canadian National's Montreal station.

Mr. FLINTOFT: Quite. We have no desire whatever to keep the Canadian National at Bonaventure station.

Hon. Mr. ROBINSON: Something has to be done.

Mr. FLINTOFT: We feel that something has to be done. And I may say that another element of the situation is that of passenger pooling, which has been before you. To carry out adequate passenger pooling we need a union station in Montreal. As you know, Montreal is the only metropolitan centre that is without a union station. There is a union station in Toronto, Ottawa, Quebec and Saint John—I am speaking of the eastern territory now. Both companies are using the same situation in every one of those places. And it would be a great advantage in the matter of passenger train pooling if there were a union station in Montreal.

Hon. Mr. DANDURAND: But you are studying the pooling of trains to-day under present conditions. When you are considering the pooling of trains, whether locally or transcontinentally, what difference does it make whether the Canadian National station is at the tunnel terminal or Bonaventure?

Mr. FLINTOFT: Sir Frederick Palmer suggested a double track from Atwater avenue, circling around the heart of Montreal and joining up with the present terminal at around the McGill College grounds. His scheme to bring the Canadian Pacific traffic into that station involved an expenditure of about \$28,000,000.

Hon. Mr. DANDURAND: But you know very well that you could easily come into the tunnel terminal from your tracks at Montreal West.

Mr. FLINTOFT: No, sir. I think it would be difficult to get into the tunnel from Montreal West on account of the difference in levels. The Canadian National line, as you know, is on a considerably lower level. And besides, that scheme would involve complete abandonment of our stations at Montreal West and Westmount, which, I think you will agree with me, would cause a holler in Montreal.

Hon. Mr. HORSEY: What do you estimate it would cost to make it possible for the Canadian National Railway to use the Windsor station as a union station, satisfactorily in every way?

Mr. FLINTOFT: To put in a connection from St. Henri has been variously estimated, according to the number of tracks and the grades used, at from about \$5,000,000, I think, up to \$9,000,000. The joint engineers' report that I spoke of, the 1934 report, said that with an expenditure of \$6,000,000 the present line of the Canadian Pacific from Montreal West could be used for both companies.

Hon. Mr. DANDURAND: I have looked at the figures and I find \$14,000,000.

Mr. FLINTOFT: There is a figure, sir, of \$13,000,000, I think, which involves a complete rearrangement of the terminal, including a coach yard out in the vicinity of Montreal West that would be large enough to accommodate the cars of both companies. And that has been compared, I think, in some quarters, with the \$12,000,000 of the Canadian National, but it is an entirely different proposition, because with a connection from St. Henri there would be a complete union terminal. We do not need to go that far at the present time, because the

Canadian National has its coach yard down on Turcotte, as you know. To connect that up so that it could be used and use our present coach yard at Glen, can be done for from five or six to nine million dollars.

Hon. Mr. ROBINSON: These things are very hard to understand without a map.

Mr. FLINTOFF: I realize that. We have a map, sir, that would show the whole picture, if you find it possible to let us make our statement before you. Thank you very much, gentlemen.

The Committee adjourned, to resume after the Senate rises.

The Committee resumed at 4.15 p.m.

H. B. CHASE, Assistant Grand Chief Engineer and Dominion Legislative Representative, Brotherhood of Locomotive Engineers, appeared as a witness.

The CHAIRMAN (Hon. Mr. Beaubien): All right, Mr. Chase.

Mr. CHASE: Mr. Chairman, not having a definite date set, I sent on this proof. When I finish reading it I would like to say one or two words of explanation.

The CHAIRMAN (Hon. Mr. Beaubien): Right.

Mr. CHASE: This is addressed to the Special Committee of the Senate appointed to inquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, and reads:—

Honourable Sirs:—

Our request to appear before your Honourable Committee was actuated by a news item appearing in the *Montreal Star* of March 21st, in which was embodied statements purported to have been made to your Committee on that date by Professor J. L. MacDougall of Queen's University. The item in the *Montreal Star* reading, in part is as follows:—

Labor Agreements Called Obsolete

Obsolete wage agreements arrived at years ago when railway conditions were prosperous coupled with complicated rules governing working agreements prevented Canadian railways from making large economies, Prof. MacDougall told the committee.

The regulations agreed on between the railway managements and the employees produced anomalous conditions, they worked to the advantage of those in the higher-age class on the seniority lists and to the disadvantage of the general body of junior employees.

Under them passenger engineers were able to receive wages amounting to slightly more than \$4,000 a year, for a 15-day month. Railway wage-rates were to-day on the 1929 basis, the highest ever reached, Prof. MacDougall said. They continued on that scale in spite of the fact that all returns disclosed railroading to be a declining industry.

It is anomalous that this country should guarantee the highest 1929 wage rates to sheltered workers and continue to pay them to a gradually decreasing number having regard to the pressure on the labor market, said Mr. MacDougall.

High Wages Cause Unemployment.

To Senator C. W. Robinson (Lib., New Brunswick), Mr. MacDougall declared that this illustrated how "high wages cause unemployment".

[Mr. H. B. Chase.]

Hon. Mr. DANDURAND: I would suggest that you pass that newspaper clipping, because it is but an excerpt of what has taken place here, and we are aware of it.

Mr. CHASE: All right, sir, we will go to the bottom of page 3.

Hon. Mr. DANDURAND: The top of page 4.

Mr. CHASE: I think, sir, I would have to commence on page 3. There is where my comment starts.

The CHAIRMAN (Hon. Mr. Beaubien): All right.

Mr. CHASE (reading):

At the outset, we wish to make it clear that in refuting the statements made by Professor MacDougall we are assuming that the item in the Montreal Star was a correct report.

Dealing with statement reading as follows:—

The regulations agreed on between the railway managements and the employees, produced anomalous conditions. They worked to the advantage of those in higher-age class on the seniority lists and to the disadvantage of the general body of junior employees.

Under them passenger engineers were able to receive wages amounting to slightly more than \$4,000 a year, for a 15-day month . . .

The true facts of the situation do not substantiate the statements made by Professor MacDougall, for the reason that passenger and other locomotive engineers are, by the agreements with the railways, restricted with regard to the amount of mileage which they are permitted to run or earn during a 30-day working period, and further, commencing in 1931, and up to the present time, other regulations have been placed in effect restricting locomotive engineers from making the maximum mileage provided for by the general agreements. These restrictions have had the effect of compelling locomotive passenger engineers to, so-to-speak, take a vacation after their mileage for a 30-day working period has reached the limit of forty-five to forty-six hundred miles in passenger service, and thirty-five to thirty-six hundred miles in freight service.

By the application of these additional regulations, the senior men are, to a reasonable extent, required to share the work with the junior men; therefore, the regulations do not operate to the disadvantage of the general body of junior employees.

The lowest rate paid to passenger locomotive engineers on the smaller classes of power is \$6.16 per 100 miles; while the highest average rate in the Dominion of Canada is approximately \$6.48 per 100 miles.

Assuming that each passenger locomotive engineer was able to work to the extent of 4,600 miles per month (which is not generally the case) for the entire year, the engineer operating the smallest class of power could make \$3,400.32 per annum, while a man working on a locomotive carrying the highest rate could earn \$3,486.96 per annum.

Thus far we have given the maximums which can be earned, but on the other hand there are minimums, as the regulations provide that no reduction will be made in the number of passenger engineers employed as long as they can earn a minimum of 4,000 miles per month. Under the minimum regulations with a locomotive carrying the lowest rate, a passenger engineer could earn \$956.80 per annum, and with an engine paying the highest rate, the minimum earnings could be \$3,100.40 per annum. It is also safe to say that some passenger engineers are at the maximum, while many are at the minimum, and a rather large number are in between the maximum and the minimum; thus it will be noted that Professor MacDougall's statement to the effect that passenger locomotive engineers are able to receive wages amounting to slightly more than \$4,000 a year, is incorrect.

We might further add that the above figures are based on the assumption that the passenger engineers work steadily throughout the year, and it is equally true to say that many of them do not work steadily throughout the year.

As to how Professor MacDougall arrives at his 15-day month, is perhaps best known to himself. Passenger locomotive engineers, in common with freight locomotive engineers, work, and are paid on a mileage basis, and not on a daily basis; therefore, no true comparison can be made as between men who work and are paid on a mileage basis, with those who work strictly on a daily basis. Some passenger runs operate on fast schedules, while others operate on slow schedules, and the length of time consumed in running 100 miles or more varies in accordance with the schedule speed of the train. Many of the locomotive engineers are required to be on their runs practically every day in the month, while in other instances they may double the road one day, and have the next day off. The manner in which these men operate is figured out to the best advantage of both the railways and the employees.

As further proof, may we direct your attention to the Statistics of Steam Railways of Canada for the year ending December 31, 1937, pages 34 and 35 where you will find the following:—

	Average Number Employed	Total hours on duty	Total Salaries and wages	Average hours worked	Salaries and wages per hour	Salaries and wages per year
Road passenger Engineers and Motormen	866	1,774,774	\$2,775,746	2,049	\$1,564	\$3,205.25

By taking the average hours worked, i.e.: 2,049, and dividing it by twelve it will be found that these passenger engineers work on an average of $170\frac{2}{3}$ hours per month, and when reduced to days worked per month, it works out at an average of approximately 21 days of eight hours. The average salary being \$3,205.25, taking into account what has been set forth above, again bears out our statement that Professor MacDougall's contentions are incorrect when he states—"passenger engineers were able to receive wages amounting to slightly more than \$4,000 a year, for a 15-day month."

Professor MacDougall also states—"The railway wage rates were to-day on the 1929 basis, the highest ever reached." This statement is also incorrect as the highest rates of pay were reached under the McAdoo Award in the year 1920, and at this juncture may we state that the application of the so-called McAdoo Award was put into effect on the Canadian Railways as a result of Privy Council Order No. 1768, dated July 16, 1918, reading in part, as follows:—

1. That the scales of wages of railway employees as fixed by the McAdoo Award in the United States territory, including any amendments or extensions thereof be applied in Canadian territory, in so far as all lines of railways owned, operated or controlled by the Government are concerned.

2. That the wage scales of privately owned railway companies in Canada should be similarly advanced.

The scale of wages provided for by the McAdoo Award and the Order of the Privy Council only remained in effect until July, 1921; whereupon a $12\frac{1}{2}$ per cent reduction in pay was made effective on Canadian Railways.

In the year 1927, the locomotive engineers in Canada secured an increase in pay amounting to approximately 5 per cent, and the rates established at that time are still in effect; therefore, even though wages rates are on the 1929 basis they are not the *highest ever reached*.

Professor MacDougall also states:—

It is anomalous that this country should guarantee the highest 1929 wage rates to sheltered workers and continue to pay them to a gradual decreasing number, having regard to the pressure on the labour market.

[Mr. H. B. Chase.]

Evidently Professor MacDougall has not taken into account the reasons for the gradually decreasing number of railway employees. The true facts can be readily ascertained if a study is made of the changes which have taken place, say since the year 1920.

In 1920 there were 6,030 locomotives in service on the Canadian railways with an average tractive power per locomotive of 31,112 pounds.

In 1937 the number of locomotives had declined to 4,667, a decrease of approximately 22.6 per cent as compared with 1920; the average tractive power per locomotive in 1937 had, however, reached a new high peak of 38,871 pounds, an increase in average tractive power of approximately 25 per cent over 1920.

The introduction of larger locomotives and steel cars has undoubtedly reduced the amount of employment, not only for locomotive engineers, but for other classes of railway employees; but, on the other hand, it must be admitted that when operating a larger locomotive and handling larger trains, there has been a considerable increase in the productivity of each individual locomotive engineer; in fact, in many sections of the country, two locomotive engineers are now producing as much as three men formerly produced, and this without any great increase in the cost to the railways. The lowest rate per 100 miles for engineers in passenger service being \$6.16, while the highest average, excluding Mountain territory, is \$6.48 per 100 miles. In other words, the locomotive engineers are in no way responsible for the gradually decreasing number of employees, neither are they receiving any higher wages than they formerly received, irrespective of the fact that their productivity per man has greatly increased. The decrease in the number of employees is also affected by the decrease in the amount of traffic handled by the railways, and again let us point out that the senior men have endeavoured to assist somewhat in spreading the work, and taking care of some of the junior men.

The item in the *Montreal Star*, above referred to, also contains the following:—

To Senator C. W. Robinson (Lib., New Brunswick) Mr. MacDougall declared that this illustrated how "high wages cause unemployment."

To this we would say that it is generally recognized that there are two schools of thought with regard to the causes of unemployment, but our view is that low wages cause unemployment, while high wages create employment, as an illustration we might state, that during recent years, while wage deductions were in operation on the Canadian railways, the employees of those railways contributed from their pay cheques approximately \$100,000,000.

The deduction of that money from the pay cheques of the employees reduced the purchasing power of railway employees alone to the extent of \$100,000,000, and with wage cuts and deductions being the order of the day in various industries in Canada, the shrinkage of purchasing power undoubtedly had its effect upon employment, and assisted to create unemployment. If the working people have good wages, they are able to buy many things which they need, which in turn must of necessity stimulate industry, but when unable to purchase the goods and materials produced in the country, all forms of industrial life are affected, and more of our people find themselves in the ranks of the unemployed.

To continue—

Mr. MacDougall cited how passenger engineers continued to be paid at a rate that enabled them to earn better than \$4,000 for a 15-day month, while operators of a bus line, working 10 hours a day regularly, were paid \$1,800 a year.

With the greatest of deference to the operators of the passenger bus lines, we feel it desirable to say that no fair comparison can be made between a locomotive engineer and an operator of a passenger bus.

On the average, less than one locomotive engineer in ten ever gets to where he is regularly assigned to a passenger train, and in order that your Honourable Committee may have a slight idea of, what might be termed, the training period which a man must go through in order to reach the stage where he can be regularly placed in charge of a passenger locomotive, the following explanation may be of value.

Generally speaking, a man commences at about the age of maturity by cleaning engines in the shop, and eventually emerges as a locomotive fireman, provided he is in good physical condition, and can pass the necessary examinations. For several years thereafter he is able to work only when some other man lays off, or due to an increase in traffic. After about 10 years of these ups and downs, he may secure regular employment as a fireman, where he will in all probability remain for a further period of approximately 15 years, but before being qualified to work as a locomotive engineer, he is required to pass a thorough examination, written and oral, on the locomotive itself, on the air brake and electrical equipment, and in addition thereto pass a very rigid examination with respect to visual acuity, colour sense and hearing. He must also pass a written and oral examination on the book of operating rules, and here it might be noted that the Canadian National book of rules contains 637 rules, while the Canadian Pacific contains 673.

If he passes these examinations successfully, he commences his life as a locomotive engineer, and again takes the ups and downs, being used when other men lay off, or when increased traffic conditions arrive, and for approximately another 10 or 15 year period he finds himself alternating between running and firing a locomotive.

His next move will be to regular freight work, and when he reaches the age of approximately 60 years, if he has survived for that length of time, he becomes a passenger engineer, with about 5 years in which to remain in service.

Every two years he is required to pass a further examination on visual acuity, colour sense and hearing, and if any of these senses fail, he is, so-to-speak, relegated to the yard service, or to the scrap heap, as the case may be.

A demerit mark system also prevails, and if he be unfortunate enough to acquire 60 demerit marks against his record, he is subject to dismissal, and here let it be said that once a locomotive engineer loses his employment as such, his entire career as locomotive engineer is ended, as there is no place in Canada where he can again secure such employment.

When in charge of a first class passenger train he not only has under his care a power plant on wheels, of an approximate value of \$100,000, carrying up to as high as 275 pounds of steam, but has in addition thereto a train with a value of approximately \$1,000,000; in other words he is the General Manager of a \$1,000,000 plant.

While on duty he must remember all of the rules, not only those in the rule book, but those which appear in the time-tables and bulletin books, and must execute all orders given to him by the train despatcher. In fact, from the time he steps on the locomotive until he steps off, he is nothing but a keyed-up bundle of nerves, and may we add that it is beyond the limit of physical endurance for a human being to stand up against this kind of work day in and day out, without sacrificing his health.

The passenger bus operator is not required to go through such an intensive period of training as that which applies to a locomotive engineer, and if he should be so unfortunate as to lose his employment with one company his career as a bus operator is not necessarily ended, as is the case with a locomotive engineer.

[Mr. H. B. Chase.]

Generally speaking, locomotive engineers are stable citizens, are home owners and taxpayers, and take an active interest in municipal and other affairs, and with the wages which they are at present able to earn, it can be safely said that no members of their families are on relief; on the contrary, many of them are taking care of their sons and daughters, and their grandchildren, and in many instances are giving their sons and daughters higher education so that they may enter professions, and become useful and worthwhile citizens of Canada.

A contributory pension system is in effect on both of the major railways of Canada. Under the Canadian Pacific Plan the earnings of the engineer during his last 120 months of service are used to determine the amount of his pension. The arrangement on the Canadian National is slightly different, but in both cases by contributing to these pension plans the men assure their future after reaching the age of 65, thereby avoiding the possibility of their becoming public charges.

In most lines of industry when an employee is sent away from home on business for his firm he is paid expenses, but this does not apply to locomotive engineers; consequently expenses away from home must be paid from the wages received, and as in most lines of industry the senior employees receive the highest wages, we submit that there is nothing extraordinary in the methods which now prevail governing wages and conditions for passenger locomotive engineers. May we again draw your attention to the fact that in the year 1937 there were only 866 passenger engineers working in the Dominion of Canada.

Professor MacDougall also stated—

We believe, however, that the situation could be composed by a process of attrition. The big wage earners, he repeated, were in the high-age classes. These could be left alone and no accession to their ranks be made. Agreement could be worked out with the junior classes, who were largely unemployed, and thus in time matters would be adjusted.

It is extremely hard to find language which would sufficiently express our views with regard to this statement. Can anyone imagine an employer entering into an agreement with unemployed men to govern wages and conditions of those who are employed? In our opinion, this would be contrary to public policy, and would be a clear violation of the principle and spirit of the Industrial Disputes and Investigation Act.

Since writing the above I have received copy of the proceedings of your Special Committee for Tuesday, March 21st, and at page 22, Professor MacDougall is quoted as follows:

Secondly, even the engineer, who is the most skilled member of the train crew, need not be a person of unusual skill. A man of sound intelligence could be trained to operate a locomotive in a very short time. In the pre-war period when the labour force was being rapidly increased, men quite frequently ran as full-fledged engineers after only six months experience, etc.

We have no record of men with six months' experience being promoted to the position of locomotive engineer, and it may interest your Committee to know that the rules in effect, as between the engineers' Organizations and the Railways, require that a man must have at least three years experience as fireman before being promoted to a locomotive engineer. We hold that the Railways and their employees, rather than Professor MacDougall, are in a better position to decide as to the training which a man should have before attempting to operate a locomotive, and we may add that the standard, as above set forth, was in effect long before the war period.

At the bottom of page 24, a note appears, reading as follows:

⁴CF. Case No. 469, *Labour Gazette* XXXVIII (November, 1938), pp. 1215-16. In this case it was shown that in one case the mileage of engineers was increased from 4,160 to 5,200 miles per month; in another, from 4,200 to 5,397 miles in assigned service. On the facts cited above, \$299 per month is the current earnings for approximately 4,680 equivalent miles, and only 3,276 actual road miles. If the present mileage be assumed to be 5,397 miles, then monthly earnings would rise to \$345 per month for 15 calendar days of work.

Again, in this instance, Professor MacDougall was evidently not in possession of the true facts, as the note would lead anyone to believe that in that particular case the locomotive engineers were making 5,200 and 5,397 miles respectively.

The true facts, as developed when the case was heard by the Canadian Railway Board of Adjustment No. 1, proved that in one instance the engineers were making 4,800 miles per month, and in the other instance 4,500 miles per month.

At page 33, the following appears:

By Hon. Mr. Murdock:

Q. Now, tell me what would happen if there was a breakdown or a snowbank at Prescott causing delay of four or five hours?—A. After you pass eight hours you go on time-and-a-half.

Q. But what about this passenger car if they were held up?—A. The engineer's overtime would commence at five hours, and the conductor's and brakeman's at seven hours and forty minutes.

Again, Professor MacDougall gives the wrong information. There are absolutely no provisions in the agreements between the locomotive engineers and the railways in Canada to provide for payment of time-and-a-half in passenger service, and further, as the preceding question indicates, if the discussion related to a train operating between Montreal and Brockville, a distance of 126 miles, the overtime for the engineer would not commence after five hours. The rule governing overtime for engineers in passenger service provides for straight time payment for overtime, and the crew goes on overtime if the train fails to average a speed of 20 miles per hour over the entire subdivision. In this particular case, the overtime for the engineer would commence six hours and eighteen minutes after the train had departed from the Station at Montreal.

Having regard to an article appearing in the *Financial Post* of March 18th, last, entitled—"High payrolls hobble Canadian Railroads",—together with the statements made by Professor MacDougall, coupled with an editorial appearing in the *Montreal Gazette* of March 23rd last, it would appear as if a move is on to try to educate the public into believing that the principal trouble with the railways is due to high wages, with the wages of the locomotive engineers being singled out for the attack.

Believing that your Committee is desirous of viewing all sides of the question, and with the hope that the Press will be equally as anxious to present the true facts to the public, as they have been in their endeavour to lead the public to believe that the wages of railway employees are too high, we submit herewith three tables; one showing Interest on Funded and Unfunded Debt of Canadian Railways in Canada for the years 1920 to 1937 inclusive; the second showing dividend payments made by Canadian Railways during the years 1920 to 1937 inclusive, and the third showing the total number of employees, total hours worked, and total compensation paid to employees of Canadian Railways, for the year 1920 to 1937 inclusive. (Note: 1937 is the last year for which complete records are available.)

[Mr. H. B. Chase.]

These tables are submitted merely for the purpose of showing what has taken place commencing with the year 1920 and running through to the end of the year 1937, as affecting bondholders, the shareholders, and the employees, and we submit that the employees have not, and are not, enjoying any unfair advantage.

TABLE No. 1

INTEREST ON FUNDED AND UNFUNDED DEBT ON STEAM RAILWAYS IN CANADA FOR SPECIFIED YEARS

Year	Interest on funded and unfunded debt	
	Amount	Index No. 1920 = 100
	\$	
1920.....	59,270,289	100.0
1921.....	74,749,828	126.1
1922.....	78,378,361	132.2
1923.....	84,443,602	142.5
1924.....	89,760,514	151.4
1925.....	91,021,514	153.6
1926.....	90,415,279	152.5
1927.....	93,365,582	157.5
1928.....	96,332,027	162.5
1929.....	101,103,644	170.6
1930.....	108,936,797	183.8
1931.....	112,732,203	190.2
1932.....	117,718,043	198.6
1933.....	118,844,920	200.5
1934.....	118,913,986	200.6
1935.....	116,789,750	197.0
1936.....	112,204,370	189.3
1937.....	77,819,294	131.3
Total.....	1,742,800,003	

SOURCE: Data for years 1920-1933 inclusive from Statistics of Steam Railways of Canada.

For 1934 figure from Dominion Bureau of Statistics, Transportation and Public Utilities Branch.

For 1935, 1936, 1937, from Statistics of Steam Railways of Canada.

TABLE No. 2

EARNINGS OF RAILWAY STOCKHOLDERS ON CANADIAN RAILWAYS FOR SPECIFIED YEARS

Year	Dividend Payments	
	Amount	Index No. 1920=100
1920.....	\$29,942,557	100.0
1921.....	30,157,307	100.7
1922.....	30,155,207	100.7
1923.....	30,356,173	101.4
1924.....	30,512,155	101.9
1925.....	30,409,773	101.6
1926.....	30,552,425	102.0
1927.....	30,606,574	102.2
1928.....	33,729,273	112.6
1929.....	35,087,201	117.2
1930.....	38,890,927	129.9
1931.....	27,247,990	91.0
1932.....	2,766,198	9.2
1933.....	21,060	00.1
1934.....		
1935.....	108,300	00.4
1936.....	199,624	00.7
1937.....	2,698,905	9.0
Total.....	\$385,441,849	

Source: Data for years 1920-1934, Statistics of Steam Railways of Canada. 1935 figure from the office of the Dominion Bureau of Statistics, Transportation and Public Utilities Branch. Dividend Payments and Cash Dividend Rates from "Railway Capital" (p. 16 in 1931 Report). 1936 and 1937 from Statistics of Steam Railways of Canada.

TABLE No. 3

TOTAL NUMBER OF EMPLOYEES, TOTAL HOURS WORKED, TOTAL COMPENSATION RECEIVED ON CANADIAN RAILWAYS FOR SPECIFIED YEARS

Year	Employees		Total Hours		Total Compensation	
	Number	Index No. 1920-100	Number	Index No. 1920-100	Amount	Index No. 1920-100
1920.....	185,177	100.0	465,466,482	100.0	\$ 290,510,518	100.0
1921.....	167,627	90.5	394,778,197	84.8	247,756,138	85.3
1922.....	165,635	89.4	401,995,411	86.4	233,294,040	80.3
1923.....	178,052	96.2	442,051,515	95.0	253,320,005	87.2
1924.....	169,970	91.8	415,773,205	89.3	239,864,265	82.6
1925.....	166,027	89.7	411,209,522	88.3	237,755,752	81.8
1926.....	174,266	94.1	437,927,249	94.1	253,412,424	87.2
1927.....	176,338	95.2	449,887,049	96.7	267,067,048	91.9
1928.....	187,710	101.4	482,685,474	103.7	287,775,316	99.1
1929.....	187,846	101.4	478,743,301	102.9	290,732,501	100.0
1930.....	174,485	94.2	431,629,401	92.7	268,347,374	92.6
1931.....	154,569	83.3	364,211,642	78.2	229,499,505	79.0
1932.....	132,678	71.6	303,443,246	65.2	181,113,588	62.3
1933.....	121,923	65.8	276,312,787	59.4	158,326,445	54.5
1934.....	127,326	68.8	293,563,103	63.1	163,336,635	56.2
1935.....	127,526	68.9	296,744,680	63.8	172,956,218	59.5
1936.....	132,781	71.7	313,291,604	67.3	182,638,365	62.9
1937.....	133,467	72.1	319,191,097	68.6	193,355,584	66.6

NOTE.—Data for 1920 from RAILWAY STATISTICS, for year ended Dec. 31, 1921, page 2. Total days multiplied by 8 to determine number of hours.

Source: Data from Statistics of Steam Railways of Canada for 1920-1934, inclusive (page 28 in 1931 report). Figures covering employees, total hours and total compensation represent grand totals. 1935 figures from the office of the Dominion Bureau of Statistics, Transportation and Public Utilities Branch. 1936 and 1937 figures from Statistics of Steam Railways of Canada for years ending December 31, 1936, and December 31, 1937, pages 32 and 34 respectively.

As further proof of our contention, returning to the increase in the average tractive power per locomotive in 1937 over the year 1920, and returning to the part played by the locomotive engineer, we submit herewith the rates of pay per 100 miles:

Weight on drivers	Passenger	Through freight and all other service not otherwise specified	Snow plow and way freight
	Per 100 miles	Per 100 miles	Per 100 miles
	\$ cts.	\$ cts.	\$ cts.
Less than 80,000 lbs.....	6 16	6 84	7 36
80,000 to 100,000 lbs.....	6 16	6 92	7 44
100,000 to 140,000 lbs.....	6 24	7 00	7 52
140,000 to 170,000 lbs.....	6 32	7 24	7 76
170,000 to 200,000 lbs.....	6 40	7 40	7 92
200,000 to 250,000 lbs.....	6 48	7 56	8 08
250,000 to 300,000 lbs.....	6 56	7 70	8 22
300,000 to 350,000 lbs.....	6 64	7 84	8 36
350,000 to 400,000 lbs.....	6 72	8 04	8 56
400,000 to 450,000 lbs.....	6 80	8 04	8 56
450,000 to 500,000 lbs.....	6 88	8 04	8 56
500,000 lbs. and over.....	6 96	8 04	8 56
Mallets, less than 275,000 lbs.....	7 16	8 54	9 06
Mallets, 275,000 lbs and over.....	7 16	8 76	9 28

I may say, Mr. Chairman, that the schedule of rates is copied exactly from the agreement in effect with the railways.

We have stated above that in 1920 the average tractive power per locomotive was 31,112 pounds, and to assist your committee in arriving at an understanding as to how these rates of pay apply to the weight on drivers, coupled with the tractive power, we would observe that a locomotive with a tractive power of 31,112 pounds falls generally within the classification of 140,000 to 170,000 pounds weight on drivers, and it will be noted that the rates of pay for such locomotives are:—

Passenger	Through freight and all other service not otherwise specified	Snow plow and way freight
\$ cts.	\$ cts.	\$ cts.
6 32	7 24	7 76

The locomotive with a tractive power of 38,871 pounds falls within the classification of 170,000 to 200,000 pounds and 200,000 to 250,000 pounds weight on drivers. While the average is 38,871 pounds it would be true to state that the locomotive generally in use are 200,000 to 250,000 pounds weight on drivers; the rates for these locomotives being:

Passenger	Through freight and all other service not otherwise specified	Snow Plow and Way Freight
\$6.48	\$7.56	\$8.08

The average tractive power having been increased by approximately 25%, it will be perhaps interesting to note that the difference in the rates of pay for locomotive engineers, whose productivity in 1937 was 25% greater than it was in 1920, is only increased by the following amounts:

Passenger	Through freight and all other service not otherwise specified	Snow Plow and Way Freight
.16 cents	.32 cents	.32 cents

While if the rates had advanced with the tractive power, they would be increased to the following extent:

Passenger	Through freight and all other service not otherwise specified	Snow Plow and Way Freight
\$1.58	\$1.81	\$1.94

The above does not take into account the fact, as herein set forth, that the basic rates of pay are at present approximately seven and one-half (7½%) per cent below those of the year 1920.

With the advent of the heavier power and modern appurtenances, the responsibility of the locomotive engineers has greatly increased, and this coupled with the increased productivity should certainly be given recognition as a reasonable argument for a wage increase, rather than for a wage reduction, which, we take it, Professor MacDougall feels should be now instituted.

In conclusion, may we express to your Honourable Committee our appreciation of your action in granting us the privilege of appearing before you.

Respectfully submitted,

H. B. CHASE,
Assistant Grand Chief Engineer
and
Dominion Legislative Representative,
Brotherhood of Locomotive Engineers.

Now, an explanatory note I wish to make, Mr. Chairman, in regard to that case which Professor MacDougall referred to, and which was submitted to the Canadian Railway Board Adjustment, No. 1. I have told you, and told you correctly, that the average mileage per month which the engineers are permitted to make run from 3,500 to 3,600 miles in freight service and from 4,500 to 4,600 in passenger service. Throughout Canada there are few points where engineers are still at a maximum arrived at by the agreement. In one particular case the 4,800 miles I mentioned is quite correct. That is what the evidence shows. However, I should say this, that during the depression the men at that point, the locomotive engineers, reduced their mileage to the extent that each of the passenger men were giving up \$40 a month to the unemployed, and after business conditions picked up somewhat, they felt it was only proper, after having several years of that, that they should go back to their former arrangement. At the very moment on an average throughout this country the locomotive engineers are giving up approximately \$30 per month to the relief of the unemployed. In other words, to let the other fellow work. I want to see any body of men doing any more than that, with all this talk going on.

Now I wish to refer to a letter which I heard read here last Thursday, I think, signed by Messrs. Black and Whyte.

The CHAIRMAN (Hon. Mr. Beaubien): That is right.

[Mr. H. B. Chase.]

Mr. CHASE: I have not the letter before me, and I am only recalling what I have heard read, but I think the two gentlemen said, for instance, that on the Canadian National certain things were done. I made it my business to find out if they were employees of the Canadian National. As a matter of fact they are employees of the Canadian Pacific. After taking the matter up with the general chairman of the Locomotive Engineers for that district—he is in the room—he wrote me this letter, which I should like to place on the record. It is addressed to me and is dated Montreal, April 24th, 1939. He says:

Referring to our conversation during which you informed me that W. H. Whyte and V. J. Black of London had written the Special Senate Committee alleging that the engineers at that point were making 48 days in passenger service and 38 days in freight service per month.

I have checked the firemen's seniority list of the Ontario District of the Canadian Pacific Railway, and find that Mr. Whyte is No. 124 and Mr. Black is No. 147.

I am glad to inform you that the engineers at London, of their own volition, have, for a good many years, adhered to a reduced maximum mileage; as a matter of fact, notwithstanding that an agreement between the railway company and the engineers provide a maximum of 4,800 miles per month in passenger service, and 3,800 miles per month in freight service, the engineers at London are, of their own free will restricted to a maximum of 4,500 and 3,500 respectively in passenger and freight service.

Excess mileage, if any, is carried forward to the following mileage period, and included in compilation of mileage for such latter mileage period.

It might also be stated, in order that spare mileage might be made available at various dates throughout the calendar month, it has been arranged to establish, what we call, mileage periods for the individual engineer; that is to say, a number of engineers will have a mileage period beginning and ending on the calendar month; others beginning on the 5th and ending on the 4th of the following month; others beginning on the 10th and ending on the 9th of the following month, and so on as conditions may warrant.

The voluntary reduction made by the engineers apparently is not appreciated in quarters where one might reasonably expect it, and obviously such lack of appreciation is certainly not encouraging to those who, of their own free will, make such sacrifice.

Faternally yours,

J. B. WARD,

General Chairman, B. of L.E.

I might also say, Mr. Chairman, that I talked with the general chairman of the Locomotive Engineers of the Canadian National, and I find that right in London those men are working a mileage of 3,500 per month in freight service and 4,500 miles in passenger service. So the statements made by Mr. Black and Mr. Whyte are absolutely untrue.

I for one deplore a situation such as we have had around here for some time back. Mr. MacDougall comes along and gives to this committee nothing but a bunch of misinformation, and then we have another gentleman come along—I am not going to talk about him; somebody else will do that—with some views expressed by Mr. Peterson, and then we have these two men, Black and Whyte, writing other untruthful statements. We are getting to a pretty pass when men come before this committee and don't give the true facts.

So far as the engineers are concerned, we have nothing to hide. What I have given you I can prove every word of. It is absolutely cold, hard facts, and we want the public to know those facts. We are not ashamed of the fact that an engineer can earn \$3,000, not a bit of it. He should be getting \$6,000 at least, as a matter of fact in our opinion. Of course, you might not all agree with us in regard to that.

That is all I wish to say, Mr. Chairman. I thank the committee for allowing us to appear before you.

The CHAIRMAN (Hon. Mr. Beaubien): Thank you.

Now Mr. Kelly.

Mr. BEST: Mr. Chairman, may I put in a statement supplementing what Mr. Tallon has said, in the absence of Mr. Kelly? We had our statement prepared last Friday and were in the room ready to make it this morning, but we have discovered some errors in the tabulation. We would not present anything which we are not absolutely sure of, and we are now making the necessary corrections in that tabulation. We could go on at 8 o'clock to-night, if necessary, but we prefer to present our corrected statement to-morrow.

The CHAIRMAN (Hon. Mr. Beaubien): Would you not be satisfied, Mr. Best, to say that you corroborate the gentleman who preceded you? Is not that sufficient?

Mr. BEST: That is really not sufficient, Mr. Chairman. Mr. Chase, as I understand it, requested an opportunity to be heard particularly in regard to the Locomotive Engineers, because, as he has stated, a special attack was made on the alleged high wages of engineers. Our purpose is to cover the entire field of railway employees in Canada and endeavour to disabuse the mind of this committee that the wage structure is a burden to the railways. After you hear us I hope you will be convinced to the fact that there is no such burden.

The CHAIRMAN (Hon. Mr. Beaubien): And Mr. Kelly intends to speak on the point you have just mentioned?

Mr. BEST: Yes.

Hon. Mr. HORSEY: Mr. Chase, do you know what is the average age of passenger engineers?

Mr. CHASE: The average would be pretty high.

Hon. Mr. HORSEY: Are they all over 60? You spoke of 60.

Mr. CHASE: I was giving you the picture as at this time. That is the routine a man would have to go through. It is quite true that years ago—

Hon. Mr. HORSEY: How long does it take for him to become a fireman?

Mr. CHASE: He may have to wipe in the shop two or three years before he gets to be a fireman.

Hon. Mr. HORSEY: He might not, though?

Mr. CHASE: He might not, but under present conditions I would say probably a year or more. In fact we have men to-day 50 and 55 years of age who are still firing locomotives.

Hon. Mr. HORSEY: I suppose you have engineers too of passenger trains of 50 years and over?

Mr. CHASE: I would guess there is not a man in passenger service who is under 55. Years ago when there was more work than there is at the moment promotion was naturally more rapid. To-day you will not find a man under 55 with a passenger train.

Years ago, when there was more work than there is at the moment, promotion was naturally more rapid, and you will find men to-day who have been in passenger service for quite a few years. But I will hazard the guess that you will not find many under 55.

[Mr. H. B. Chase.]

Hon. Mr. HARDY: You do not look like 55.

Mr. CHASE: I will be 55 on the 19th of next month, and I am not handling a passenger train. I still retain my employee connection with the Canadian National Railways, and that goes back as an engineer to 1907.

The CHAIRMAN (Hon. Mr. Beaubien): Is Mr. Black here?

HARVEY H. BLACK appeared as a witness:

The CHAIRMAN (Hon. Mr. Beaubien): Do you intend to read this large document which has been submitted to us, Mr. Black?

Mr. BLACK: No, sir. I have cut this down considerably from the original form, but there are eight or nine pages in it dealing with the British situation, the effort made there to solve their railway problem, and also dealing with the United States situation. I felt that both of those situations were so closely identified with the Canadian situation that they should be dealt with. I felt also that not very much of this information, particularly in this form had been presented before your Committee. It was my intention to just refer to two or three paragraphs in these eight or nine pages as I go through them, and if you feel it worth while, the statement itself might be put on the record. In that way we would save a good deal of time in the presentation.

The CHAIRMAN (Hon. Mr. Beaubien): To begin with, will you tell the Committee who you are, what you do and what are your qualifications? And Mr. Murdock would like to know who you represent, perhaps.

Mr. BLACK: I represent myself. I do not even represent the organization of which I am managing-editor. Everything I have written here, every opinion expressed, is my own. I think that 95 per cent of what is in here is material which I have collected myself from various sources. The balance is made up of ideas which have been suggested to me largely by Canadian National and Canadian Pacific employees.

Hon. Mr. PARENT: What is your occupation?

Mr. BLACK: I am managing-editor of a financial publication in New York.

Hon. Mr. HAIG: As they say when a man speaks over the radio, the station or the radio corporation assumes no responsibility for any opinions he expresses. The ideas are his own.

Mr. BLACK: These are my own.

Hon. Mr. HAIG: You do not represent the Canadian National Railway.

Mr. BLACK: No, nor the Canadian Pacific Railway. We have offices in Montreal and Toronto.

Hon. Mr. CALDER: You are not the Mr. Black referred to in the communication from Black and Whyte.

Mr. BLACK: No, I never heard of him until this morning. Perhaps I had better tell the Committee who I am.

After leaving college I went into newspaper work and worked on a Toronto daily in every position. For two years I was in the Press Gallery of the Ontario Legislature. After that I was for several years on the business papers of the Maclean Publishing Company. I was then asked to go to Montreal as resident editor of the *Financial Post*, and after several years was appointed editor of the *Financial Times* in Montreal. About twelve years ago, with two partners, I founded a daily financial and news service called *Financial Counsel*. Our clients are the banks, bond houses and investment houses. It is an investment service, and among our clients are the Canadian National and the Canadian Pacific.

Right Hon. Mr. MEIGHEN: Have their investments been made upon your advice?

Mr. BLACK: I hope not, senator.

The reason I wrote this was that ten or eleven months ago, when the Senate Committee was started, I made a suggestion as to what I called "supervised co-operation" to someone who is close to the Government at Ottawa.

Hon. Mr. HAIG: That would not be Senator Hugessen?

Mr. BLACK: No. After I had gone through the Senate report and, as I explain in this brief, after my attention had been drawn to Senator Meighen's statement in reference to the revenue of the railways failing to keep pace with and, as I think he said, diminishing in relation to the general business of Canada, I tried to work out something that might give us a picture of the extent to which our railways were failing to hold the traffic that originated in transportation circles in Canada.

My connection with the railways is this. Ever since Mr. Neal, who is now vice-president in charge of western lines of the Canadian Pacific Railway, and who in 1918 was manager and secretary of the Canadian Railway War Board, was discussing with me the problem of the railways I have been in fairly close touch with the officials of the Canadian Pacific and the Canadian National Railways and have discussed matters with them very freely—because they speak freely when they know you and trust you—and on the basis of that and the experience I have had I have worked out this solution which I was asked to present to the Senate Committee.

May I ask Mr. Chairman, that I be allowed to go some little distance in this without being questioned? The reason I make this request is that I have tried to anticipate objections and questions as I go along.

The CHAIRMAN (Hon. Mr. Beaubien): All right.

Mr. BLACK: I do not object to any questions, but I would make that suggestion.

Hon. Mr. CALDER: Just one moment, Mr. Black.

Mr. Black has referred to certain facts and statements, and has said that he will refer to the situation in Great Britain—and I think he said in the United States as well—as bearing on the issue now before us. I intended a some time to draw the attention of the Committee to the fact that we have not, in my judgment, any real evidence as to the situation in Great Britain and the same is true as to the United States. I think, therefore, that if Mr. Black has anything substantial to say on that phase of the inquiry we should hear all he has to say.

The CHAIRMAN (Hon. Mr. Beaubien): All right, Mr. Black.

Mr. BLACK: This proposal deals in the first place with what I have called supervised co-operation in the way of cutting down cost of operation and thereby affecting savings; and, secondly, with some method of rendering highway competition with the railways more fair to the railways than it is to-day.

In proposing a plan of "Supervised Co-operation" as one of two workable solutions of Canada's Railway Problem, I am influenced by an appreciation of the serious nature of the present situation. Not alone, however, am I concerned for the Canadian National Railways and the taxpayers of Canada on whom the burden of a large annual deficit falls. Canada's railway problem concerns also the private company equally with the public.

The primary consideration does not consist, as often stressed, in relieving the drain on the national treasury. The primary danger of inadequate railway earnings rests in the crippling of both organizations in their most important task of providing adequate transportation facilities for the needs of Canada.

Nor is the railway problem limited to Canada alone, as will be illustrated in some detail further on. The competition of the motor car, the bus and the truck has made heavy inroads on the volume of traffic, freight and passenger of the railways not alone of Canada but of Great Britain and the United

[Mr. Harvey H. Black.]

States and nearly every other country in the world. In Great Britain and the United States almost desperate efforts are being made by the railways for measures of relief. They are urging either the cancellation of all existing railway regulations in order that they may be free to combat highway rivals, or the regulation of the truck and the bus so that they will be similarly controlled and forced to operate on a fair competitive basis with the railways. In all such appeals to the State, the principle is set forth that fair conditions of operation and adequate earning power are absolutely essential to the railways if they are to continue to provide the public with a proper standard of transportation.

Our problem, then, consists of working out a rehabilitation of earning power, insofar as this is possible under the conditions existing to-day. The importance of conserving the strength and efficiency of our railways probably could not be illustrated more forcibly than by the statement that, of all the vital physical factors that are fundamental to the continued expansion and prosperity of Canada, the two great railway systems stand in a class by themselves. I would go further and say that to probably no other country in the world does this statement apply with equal force—whether one looks upon the past, the present, or the future. For Canada, more than any other country in the world to-day, is dependent upon adequate railway transportation facilities not only for her present needs, but for developing those vast resources, lying north of the upper fringe of our mining and forest activities of to-day, that will constitute a storehouse of national wealth in the years to come.

Co-operation Has Not Received a Fair Test: Two Main Weaknesses:

Let us deal at once with the nature of the experiment that has been on trial now for nearly five years, known as Co-operation. In this connection, I would like to urge that the relative failure to achieve convincing results under Co-operation to date—say, about \$1,750,000 of savings a year where tens of millions have been held to be within the range of possibility—does not provide the slightest proof that Co-operation is the wrong method, and that it should now be abandoned, and that we should try something else. Both railway groups admit the inadequacy of the results so far achieved. One official termed the progress “disappointingly slow”; another estimated a period of 25 to 50 years before worthwhile savings could be established—at the present rate of going.

And yet, at one time or another in the past five years, it appears that almost every project that seemed to offer a chance for savings in the opinion of both groups of railway officials had been inspected. What was it that blocked progress? All the evidence submitted to the Senate Committee, I believe, goes to show, not that co-operation as a plan for large savings has proved a failure, but that the real failure rested largely in the unco-operative attitude of the railway representatives. I am not suggesting that the attitude was the only thing that caused relative failure. I think there was a lack of machinery, which I shall refer to in a moment or two.

What co-operation lacked was real co-operation behind it. In the majority of proposals for effecting savings, the railway committees reached a deadlock. This was hardly surprising—with two separate interests and two distinct properties involved. What is surprising is that no final efforts were made to break the repeated deadlocks. The two groups, in effect, “agreed to disagree”. In not one single instance was there an attempt made to utilize what had been recommended by the Duff Commission and supplied by Parliament in the Railway Act, the “arbitral tribunal”—to bring the negotiations to a settlement and to realize the savings involved.

This picture was presented with startling vividness in the evidence before the Senate Committee, and appeared to have aroused the impatience of many. For there was seen to exist a serious—and highly disturbing—clashing of views: what under vastly different circumstances the Senate is familiar with as “incompatibility”.

Clearly, something more than co-operation, as we have had it so far, is required, and I am firmly convinced that public opinion in Canada will demand, not that the principle of co-operation be abandoned henceforth, but that an Act of Parliament be passed to modify the present methods, and to compel a comprehensive test of co-operation, under conditions more favourable for the maximum results. With this in view, I am submitting an amended Plan of Co-operation which I feel will be in close accord with public opinion in Canada; will accomplish many times what has been done so far under voluntary co-operation, and, finally, will at least come close to achieving the net savings possible under various other proposals that call for a more drastic departure from existing conditions of operation.

Let us turn now to the Act of Parliament, the "Canadian National and Canadian Pacific Act", under which co-operation was made binding on the railways. There appear to be two fundamental weaknesses in this legislation. One of these is the "voluntary" character of reference of disagreements to an "arbitral tribunal": I would make this compulsory. The second is the character of that tribunal: I would improve its efficiency and enlarge its scope.

In connection with this I would lay down two principles for the working out of co-operation:

(1) That in dealing with the railways in Canada as corporations—just as with any other business situation—the fullest opportunity continue to be given those actually connected with the railways to work out a solution themselves, as the ones who should be the best equipped for this job.

Permanent and Large Railway Tribunal:

(2) That if the whole field of possible savings is not explored by the railways—and I think most of us will agree that only a small part of it has been effectively explored in a period of five years—or if failure to agree as between the two groups results in a deadlock, *automatically* each project on which action is not taken within a specified period be referred to the arbitral tribunal. Two courses would be open to this body. First, if the cause of failure by the railways were due merely to inability to agree on the details, where the principle of the step had been approved, a decision should be given by the tribunal and sent back to the railways to put into effect. Second, to make a thorough survey of the entire field of possible savings, and to urge action to the railways along specific lines which the committee may have overlooked or disregarded.

And, closely associated with this larger authority for the tribunal, I would recognize the body that the Railway Act contemplated, and make it a permanent tribunal, constituted as a branch of the Dominion Transport Board, and known as the "Railway Co-ordinating Tribunal".

Co-operating Committee:

Action by the railways would be taken through a "Co-operating Committee". This would be an outgrowth of the present Executive Committee. This, however, up to the present, has been limited to representatives of the two railways. The new form of Committee would consist of three members, a representative from each of the railways, and a neutral chairman. The last-mentioned would occupy a pivotal position in Co-operating activities, to facilitate the reaching of agreements between the two groups and putting savings into effect. Heretofore no one has occupied such a position in the picture of Co-operation. To strengthen the status and influence of such a Chairman, as well as to indicate the importance of the Co-operating Committee in the solving of the Railway Problem, the Chairman might well hold the position as well as Chairman of the Co-ordinating Tribunal, and be Vice-President of the Dominion Transport Board. The official connection of this Chairman with the Tribunal would serve to ensure the closest contact between this body and the railway executives, in the process of Co-operation.

It would be the duty of the Co-operating Committee to pass in review the entire field of possible savings, and, whether disposed to act on these or not, to send up to the Tribunal considered reports on all such proposals. Under co-operation as it exists today, any disagreement between the railway executives would end in no action being taken. Under the new plan, I think there is fair prospect that the deadlock stage would be eliminated.

I have chosen the word "co-ordinating" as part of the title and functions of the "Tribunal" by reason of its duty being to "Co-ordinate" the established railway services of the country—to make them fit in and function to the best advantage of the national economy, or, as it has been referred to in Senate discussions, the "public interest".

Railway Experts on Tribunal:

The Co-ordinating Tribunal should be technically equipped so as fairly to adjudicate each step as between the two railways. Heretofore, in inquiries I have made of officials of each, in seeking to discover the real reason for so many deadlocks, the situation has been explained thus: "We would offer a \$2 advantage to the other road and be met with only a \$1 advantage as an offset. So naturally we refused to accept it." The explanation from the other railway would be almost identical, even to the wording.

The Tribunal must be in a position to meet such obstacles by inspiring confidence in its judgment. In the past, I do not believe any experienced railway man has ever occupied a seat on the Board of Railway Commissioners of Canada—the Tribunal in the past that held the scales of justice as between the railways and the public. On this new Tribunal, in order that justice may be rendered both railways, two or four expert railway officials should be placed. I am suggesting the appointment in the early years of railway men to the Tribunal as being likely, with the prestige of membership, to draw the higher type of operating railway executives. Later on, railway men might be part of the technical staff of the Tribunal.

The need of expert advice on such a tribunal was indicated recently when the head of the C.P.R. urged on the Senate Committee the appointment of experts to pass upon the evidence laid before the Committee at the last session; the difficulty would be to find such experts today in Canada, outside the officials of the one railway or the other. This Tribunal would constitute such an independent, expert body. That point was impressed upon me by the discussion this morning. Senator Dandurand and Senator Haig, I think, were speaking in regard to the terminal in Montreal, and Senator Haig, I think, suggested that experts from the other side should be heard. The question was then asked: Who is the other side? And the suggestion was that there are only two sides in Canada, with respect to railway matters, the Canadian National and the Canadian Pacific. For that reason I think we should have some experts who would be impartial on a railway tribunal.

And what of the impartial character of ex-railway men, today probably strongly partisan: could we look upon them not only as skilled but impartial arbiters? I think you will accept this answer: that such railway operators, placed in a position of honour and permanency could be expected to give a similar type of public service as we are accustomed to receive from the most partisan lawyers when they are elevated to the Bench. They cease to remember that they are Liberals or Conservatives. And if the Senate Committee will permit me to say so, I would say the same thing to the most partisan politicians when they are elevated to the Senate.

Hon. Mr. HAIG: I question that.

Mr. BLACK: But, it might fairly be asked: Would the railways encourage a competent operating official leaving them for the Tribunal? I had in mind three or four men who are recognized on the railways as being keen. The railways probably would recognize that the work of such men would prove of much

more value in the effort to effect large savings for the roads than by any services they were rendering in their specific operating capacities.

I must admit that at first I was rather inclined towards "Compulsory" Co-operation. It looked so simple in getting results. But probably it was too simple to be sound. For this Railway Problem of ours—of all Canadians, just as much as of the Senate and the Government and the railways themselves—is complex and bristles with difficulties. There is at least one possible result of "compulsion" that should be given careful consideration. In the event that the private company was forced, without its consent, to carry out a broad program of changes, involving loss of earning power and abandonment—and destruction—of assets, the security holders, as was the case with the shareholders of the Grand Trunk Railway Company, might seek to place responsibility upon the public body, and, therefore, on the Government of Canada. I do not like the precedent of 18 or 20 years ago.

I was in London about three years ago and I was talking to a Canadian who has reached a very eminent place in the City. We were discussing the old Grand Trunk question, the perennial protest by public men and in the newspapers, financial journals, and so on, on behalf of the old Grand Trunk shareholders, the preference and ordinary shareholders, who you know did not receive a cent. The protests are lessening now, but we had a trial in an Ontario court, I think, a month or two ago in connection with it. I should like to say—I realize that this committee cannot do anything about it—that I do not think any government of Canada has yet laid before the British investing public the real reason why Canada does not owe one cent to the preference or ordinary shareholders of the Grand Trunk Railway Company. I do not think the English investing public knows how many hundreds of millions of dollars of necessary expenditures we have thrown on top of that stock, buried it beneath hundreds of millions of dollars spent in looking after the tremendous liabilities that were led to by the Grand Trunk, in connection with the Grand Trunk Pacific, refusing to take over the National Transcontinental Railway. The whole question arose, I think, because it was believed that the Governments interfered with the original proposal of the Grand Trunk in their choice for the route of the National Transcontinental. I think that any compulsion on a private railway line creates risk of claim on the part of shareholders or other security holders in future, if things do not go well.

Widespread Publicity—A Powerful Influence

In case it should be thought that under these circumstances we were getting back to the present unsatisfactory results of "voluntary" Co-operation—in spite of the large extension in the efficiency and scope of the Tribunal I have proposed—I would add the element of "Publicity." Periodically, there should be made public to the people of Canada a list of all the proposals for Co-operation and savings that had been under consideration, with the verdict reached by the Tribunal, the attitude of each of the railways, and the final step taken, positive or negative. Widespread Publicity, which has been largely absent so far, I am convinced would soon become one of the strongest influences toward securing comprehensive Co-operation. This would leave full responsibility with the railways, and remove it from the shoulders of the Government.

Hence, my final judgment would be in favour of "Supervised" Co-operation on a broad scale without recourse to compulsion on the part of an outside body exercised on the Railways.

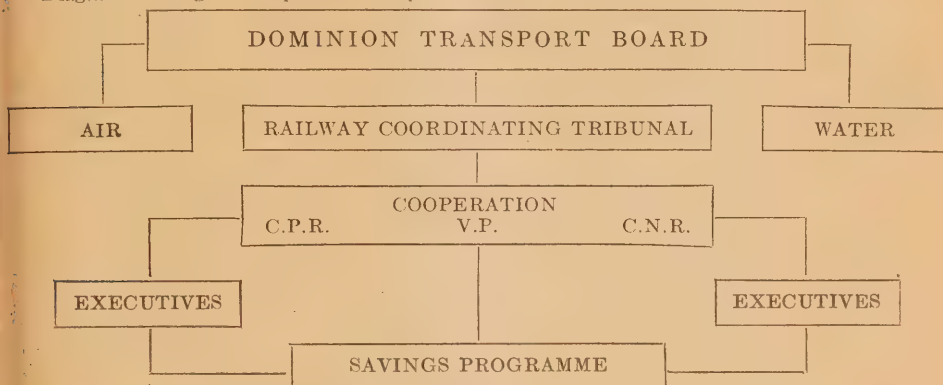
May I also urge, that one of the most important functions of this proposed Co-ordinating Tribunal would be to analyze and appraise the possible savings of various suggested programs of joint action by the railways, which by the nature of their sponsorship and the claims made in the way of large savings naturally have commended themselves to a considerable section of the public. That would be only fair to adherents of these plans; only fair also to those who are opposed to them and are adherents of other plans, in particular those who

[Mr. Harvey H. Black.]

believe in the efficiency of Co-operation as an alternative; and only fair also to the general public who will be the final judges.

I have not attempted to work out the exact relation of the "Railway Co-ordinating Tribunal" to the over-all body, the "Dominion Transport Board." The former would have the job of "co-ordinating" the two transportation public utilities in the best interests of Canada; with the Transport Board, probably, as to-day, a court of last appeal—between the public, the railways and that other active agent in solving the railway problem, namely, the Co-ordinating Tribunal.

Diagram Showing How Supervised Co-operation Would Work Out.



Objections Raised to Outside Tribunal:

A study of the evidence submitted before the Senate Committee at the 1938 Session has left me confused as to the attitude of a least one of the partners in Co-operation towards an outside, independent Tribunal, an important factor in the Railway Act and a much more important one relatively under the plan I have suggested of "Supervised" Co-operation. There was an apparent unwillingness to accept any intermediary in disputes. One statement raised a question as to "the judgment of an independent tribunal which would have to take up an isolated case which would affect a company throughout the whole system." Under the plan I have suggested, the Tribunal would not take up an "isolated" case; it would deal with a comprehensive program, and balance up the items as between the two railways. In another instance, objection was raised to making application to a Tribunal as likely to disturb the "cordial" relations between the two groups. One wonders whether a heavy penalty is not being paid for "cordiality." Once again, it was urged that "compulsion" would remove the "responsibility" that has been recognized heretofore to exist "under statute and contract" with the Canadian Government. While I am not advocating "compulsion" it is only natural to raise the parallel instance of an almost complete surrender of "responsibility" (over assets and earnings) that would develop under Joint or Unified Management. In either case—with Compulsory Co-operation or Unified Management—the "quid pro quo" for a loss of responsibility would be 50 per cent share in the savings.

Estimates of Savings:

I have already urged that the amount of savings that might be accomplished under any particular plan should not be allowed to determine a decision in its favour—regardless of the final effect of any such plan on the "public interest." These various estimates of savings, however, cannot be ignored. They have two important aspects; they must be an influence on a final selection of a plan for railway savings; and, secondly, the larger the claims for savings, the greater the probable influence on the public mind—all other factors being equal. Perhaps long years of experience over the predominating fallacy in estimates of savings under mergers or consolidations of industrial corporations have rendered

me rather skeptical of practically all the estimates dealing with the Railway Problem. I would like, however, to check up on these estimates in two or three directions.

One estimate was that abandonment of 5,000 miles of road would save \$16,000,000, or \$3,200 a mile. Even when this figure, at last session, was cut to \$7,500,000, the average saving would be \$1,500 a mile. Actual abandonments, so far as I have been able to learn, averaged far below even the latter figure, and some were down to \$300 a mile.

One interesting test of the estimate of \$75,000,000 in savings, and, I think, essentially a fair one, would be to allow for the 50 per cent share claimed for the private company, that is, \$37,500,000, and deduct this saving from operating costs as they actually were for 1930 to which the estimate applied. The result would be remarkable. The amount available for dividends would have been increased from \$38,000,000 to over \$75,000,000; 58 per cent would have been earned on the 4 per cent preferred stock instead of the actual 29 per cent, and \$5.33 on the common in place of \$2.51. Allowing for the split of 4-for-1 in the stock in 1930, earnings on the common would have exceeded \$21 a share on the old basis—a level never reached in the company's history. Moreover, in place of almost 79 per cent, the operating ratio would have been cut to 58 per cent, a level sharply below that of any railways in the United States or Great Britain.

The average operating ratio of all the Class I roads in the United States in 1930, for instance, was 74.4 per cent (in place of 58 per cent); the best showing I could find being about 64 per cent for the Chicago & Milwaukee, while the Pennsylvania was 74.8 per cent, and the New York Central, 78.8 per cent. The average of the four British railways was 80.8 per cent, only the Great Western falling below 80 per cent, and the London, Midland & Scottish operating at a ratio of almost 82 per cent. The result indicated for the Canadian road would have been viewed, I am convinced, as a "railway miracle."

"Net" Savings versus "Gross":

But we cannot afford to leave estimates of savings merely as "gross," without taking accounts of various offsets and necessary deductions arising out of steps taken by the railways to cut down costs. We must seek to determine what "net" savings will be after the "debit" items have been deducted from the "gross." So far as I have been able to discover, no attempt has been made to set forth the "net" savings in any estimate presented, and obviously I can only indicate a few in fairly general terms.

Among the offsets to gross savings, the element of labour bulks largely. One aspect of this is the admittedly lower level of efficiency of labour in any effort to consolidate the workings of two huge rival systems. This is a real but necessarily intangible item. Something much more tangible is the obligation arising out of the cutting down of employees through co-operation and every other closer-working arrangement.

In one plan, major savings are based on a reduction of 25 per cent, and the permanent lowering of railway jobs from 100 per cent to 75 per cent for the future—through the "painless" operation of conforming to an estimated "turnover" in labour of 5 per cent per year for 5 years is declared to have no bearing on the national phase of the railway problem.

This theory might be accepted if the C.N.R. and C.P.R. were two private plants, and each undertook, in its own interests, to reduce its staff in 5 years by 25 per cent, that is by over 40,000 employees. That might be none of our business: "Government must not interfere with private enterprise," it might be said. But co-operation, unification and half a dozen other plans have been urged from the outset primarily as a means of relieving a national burden (in the form of C.N.R. deficits after bond interest); of relieving taxation by tens of millions of dollars of "savings" under the plan. Then what of the 40,000 fewer jobs available for Canadian labour—with railway jobs perman

ently out from the 175,000 available in 1930? If conditions in the labour world were as 10 or 15 years ago in Canada, we might imply that other industries might find employment for 40,000 if the railway industry curtailed its operations to this extent. To-day, this would be impossible; strike off 40,000 jobs anywhere—even the 30,000 (25 per cent of 1938 employees)—and a huge additional burden of relief would fall on the Government; and so on the taxpayer (and relief to the taxpayer is the major reason advanced in favour of any railway plan, so far).

If 25 Per Cent of Railway Jobs Were Wiped Out:

The following table will help to make this hypothesis more clear:—

Year	Railway employees		Salaries and wages		Average wage per year		Ratio of wages to	
	Number	Index	Amount	Index	Amount	Index	Revenues	Expenditures
			\$		\$		%	%
1926.....	179,800	100.0	260,350,390	100.0	1,448	100.0	45.7	58.0
1927.....	182,143	101.3	273,932,396	105.2	1,504	103.9	48.1	58.9
1928.....	187,710	104.4	287,775,316	110.5	1,533	105.9	47.0	59.8
1929.....	187,846	104.5	290,732,500	111.7	1,548	106.9	48.9	60.2
1930.....	174,485	97.0	268,347,374	103.1	1,538	106.2	55.4	66.1
1931.....	154,569	86.0	229,499,505	88.2	1,485	102.6	58.5	65.4
1932.....	132,678	73.8	181,113,588	68.6	1,365	94.3	56.4	64.5
1933.....	121,923	67.8	158,326,445	60.8	1,299	89.7	53.9	62.5
1934.....	127,326	70.8	163,336,635	62.7	1,283	88.6	54.3	64.8
1935.....	127,526	70.9	172,956,218	66.4	1,356	93.6	51.2	60.1
1936.....	122,781	73.9	182,638,365	70.2	1,375	95.0	49.9	59.0

1937 and 1938—No figures yet available on exactly same basis as those for prior years.

This table shows that the number of railway employees rose from 179,800 in 1926 to the peak of 187,846 in 1929, but that the number was cut down by 66,000 by 1933, and only slightly increased since then. Wages rose from \$260 million in 1926 to \$290 million in 1929—the peak for all time. The average wage of \$1,548 in 1929 fell to \$1,283 by 1934.

But, apart altogether from the sharp drop in railway employment through falling revenues, it is proposed—to effect savings—to cut down normal employment by 25 per cent. In the light of unemployment conditions and of jobs available in Canada to-day, this further cut (large or small) necessarily is thrust into the foreground as a matter of national concern, a very definite part of our railway problem. I have tried to illustrate this phase by the following table:—

Year	25 p.c. of Employees	25 p.c. of Wages	Average Wage	Amount at \$500
1926.....	44,950	\$65,087,597	\$1,448	\$22,475,000
1927.....	45,536	68,483,099	1,504	22,768,000
1928.....	46,927	71,943,829	1,533	23,463,000
1929.....	46,961	72,683,125	1,548	23,480,000
1930.....	43,621	67,086,843	1,538	21,800,000
1931.....	38,642	57,374,876	1,485	19,321,000
1932.....	33,219	45,278,397	1,365	16,609,000
1933.....	30,481	49,581,611	1,299	15,240,000
1934.....	31,831	40,834,159	1,283	15,915,000
1935.....	31,881	43,239,054	1,356	15,940,000
1936.....	33,195	45,659,591	1,375	16,597,000

The figures speak for themselves. Taking the year 1930 again, a 25% cut in employees would have amounted to 43,000, whose share of total wages would have been \$67,000,000. Under conditions of heavy unemployment prevailing for years past, due to a serious lack of available jobs for employable men, any heavy reduction in railways jobs would increase by close to that amount the number of unemployed. Take the average wage of \$1,538 prevail-

ing in 1930, and even if only \$500 a year were paid to keep a family on relief (that under normal conditions of 100% railway employment would have received a job on the railways), some \$22,000,000 would require to be deducted from estimated gross savings to cover the extra drain on the public treasury as the direct result of these railway savings. And so on, for other years. Hence, our railway deficit would be reduced, but our unemployment relief would be increased.

Once again, there is no suggestion that if 75 per cent of the employees would be sufficient, the railways should be forced to employ 100 per cent; the figures are presented simply as a large and serious debit item—from the national standpoint—against estimated gross savings.

These debit items, then, would include heavy capital expenditures, dislocation of efficiency if a unified management were to be put into effect, such dislocation of industry as would result from a widespread abandonment of mileage, and the relief problem arising out of the reduced employment. It would be extremely difficult to hazard even a guess as to what proportion of gross estimates this *net* balance finally would represent.

Unified Management Only Halfway—Contest for Control?

Several proposals, public and private, have based estimates of substantial savings on a form of consolidation of the railways, not of assets, but to the extent of their operation under joint or unified management. Generally speaking, a board of fifteen members has been suggested. In one case, five would be chosen by the Government as representing the C.N.R. interest, five by the Canadian Pacific, and these ten were to be given the task of agreeing upon another five. In another instance, the third five were to be chosen by various public bodies. But either plan, in an attempt to lay one problem, raises another that promises to bristle even more with difficulties. If years have gone by without the two railway groups being able to reach agreement on certain mechanical details, and to go ahead and save money, what about agreement on the major point—the personnel of management—the five men who will hold the “balance of power”?

For unified management is not an ordinary “merger,” a consolidation of two independent systems into one unit. Where two corporations merge, a new corporation usually is born, with the old securities eliminated and replaced by new; the two old individualities eliminated and replaced by a single new one. There is no reason why the old antipathies and jealousies between competitors should then survive. There will no longer be the interests of “A” or the interests of “B”—the interests of “C” alone exist. Hence the two groups can work together freely; even with enthusiasm.

But management only? Either the plans go too far in seeking a unified management of two separate systems; or they go only half far enough—and should have unified these two systems so as to eliminate their separate interests and enable a real unified management, in control of a single, unified system, to function without friction. As it is, the Canadian Pacific will still remain a separate corporation (whatever is done towards merging its physical assets); it will have a president, I presume, vice-presidents and other executive officers; and what perhaps is more important still, it will have tens of thousands of holders of its preference and ordinary stock, and holders of its debentures and bonds. And the Canadian National Railways will still exist as a separate entity—with officers and huge liabilities in the form of bonds in the hands of the public—and, most important and difficult of all as a divisive element, there will be the public interest, and the trusteeship for the public that will remain vested in the government of the day.

The “semi”-unified plans suggested would be difficult enough—exceedingly difficult to operate—if the two systems were privately-owned. Leaving a private corporation and one publicly owned to continue apart but with a merged management would only complicate the other difficulty. The vital point for each would be control of management, and the scramble for control of the five neutral mem-

bers on the Management Board is suggestive to me of something that might easily prove to be one of the most unholy spectacles in the railway or political history of Canada.

A complete unification would require the consolidation of assets and of securities, as well as management, into one common corporate system. I am convinced, in the face of the strange anomaly of two great transcontinental systems operating side by side, with one representing "private," and the other, "public" ownership, that the only complete and logical unification would be the "nationalization" of the railways of Canada under public control. Such a consummation, I firmly believe, would be advantageous only if present railway conditions became much more serious than they actually are to-day. It is to prevent such an emergency step that I have urged this plan of Supervised Co-operation.

Amalgamation would cause new problems of management:

The next step after Unified Management, and often urged, is that of "amalgamation of assets." As the British post-war reorganization of its railway system into the present four units has frequently been cited as an example for Canada (although "four" is a good deal more than "one,") I would like to place on record an opinion given recently by Sir William Wood, Vice-President and Financial Adviser to the greatest railway in England, the London, Midland and Scottish. The question was asked this official, at the time (late last year) of the appeal of the British railways to the Government for the wiping out of all restrictions in order that the roads might be the better able to compete with the trucks, as to whether "amalgamation" were not a possible remedy. His reply, which emphasizes also the "public" interest, as well as that of the railways, was as follows (according to *The Financial News*, of London):

Railway amalgamation would not materially affect railway net receipts; in fact, it might cause new problems which would decrease net receipts.

I see it suggested that the railway workshops should be reduced in number. Each of the amalgamated companies has made reductions in the number of its shops, but very gradually owing to the disturbance it created.

This involves the fortunes of whole towns. Assuming Doncaster, Wolverton, Crewe, Derby and Swindon were amalgamated into one or even two, very difficult questions would immediately arise in regard to the transfer of staff, with its reaction on housing questions.

There is a limit to the size of businesses, and amalgamation would cause new problems of management. But shortly, amalgamation does not solve the present difficulties or even ameliorate them.

Now if you are not weary, we come to a point which I think is even more important than anything than can be done in Canada by the greatest co-operation possible between the railways, and that is to attempt to bring back to the railways some of the tremendous amount of revenue which they have lost to the trucks, and, to some extent to the busses. You will see that the passenger business is relatively worse off than the freight business, and I think it will continue to be so, and I would like to deal with a department of the railway situation in Canada that may provide quite as broad a field for effective improvements in net earnings as Co-operation or Unified Management or any other method that may be considered by the Senate Committee or the Government. The serious losses in recent years of freight and passenger revenue through highway competition have been so destructive to railway revenues that the latter have failed by a large margin to keep pace with the gains shown in industrial activity throughout Canada. During the Senate inquiry, Senator Meighen made reference to this outstanding phase in these words:—

Keep in mind that the railway business has been for years a diminishing business relative to the aggregate business of the country.

Until I read this statement, in a study of most of the 1,250,000 words of evidence, I had only realized this truth vaguely. When I came to explore it, I was amazed at the extent to which the railways had been falling behind the pace of business in Canada. I would like to record the alarming facts and to try to interpret them. The table sets up a parallel of volume of railway business in Canada and volume of business activity from 1926 to 1938, with the 1926 results taken as the yardstick and designated 100.

Year	Gross Revenues, C.P.R. and C.N.R.	Index of Railway Business	*Physical Volume of Business Index	Percent Increase over 1932	
				Railway Revenues	Business Index
	\$			%	%
1938.....	324,339,000	69.2	x112.4	13.8	42.8
1937.....	342,984,363	73.1	122.7	20.3	55.9
1936.....	325,173,252	69.3	112.2	14.1	42.6
1935.....	302,863,406	64.4	102.4	6.3	30.2
1934.....	290,445,457	61.9	94.2	1.9	20.0
1933.....	262,789,430	56.0	79.7	-7.8	1.2
1932.....	285,040,308	60.8	78.7		
1926.....	469,000,000	100.0	100.0		

x First 11 months.

* Figures of Dominion Bureau of Statistics.

Some of these contrasts are startling: indeed, one does not need to go beyond this brief record to discover the chief origin of a "Railway problem" in Canada to-day.

Railways off 44 per cent; Business Only 20 per cent

How far did railways and business slump during the depression? By 1932 the business index was off from 100 in 1926 to 78.7; the index of railway revenues was down to 60.8; business was off 21.3 per cent but the railways were down nearly 40 per cent.

In 1933, railway gross was still lower, off 44 per cent from 1926 totals, while business in general was beginning to pick up—at 79.7 per cent of 1926—off only 20.3 per cent.

In 1934, railway gross was 61.9 per cent but business up to 94.2 per cent of 1926—the one still down 38 per cent, business now off only 6 per cent.

In 1935, railway gross at 64.4 per cent, but business actually higher than in 1926 at 102.4 per cent—one still off 35.6 per cent, the other actually up 2½ per cent.

In 1936, railway gross up to 69.3 per cent of 1926, but business up to 112.2 per cent; railway still off 30 per cent from 1926, but general business 12 per cent above 1926.

In 1937—the peak of the recovery—railway gross at 73.1 per cent, but business up at 122.7 per cent—railway still below 1926 by 27 per cent but business almost 23 per cent higher.

In 1938, railway gross down again at 69.2 per cent, with business at 112.4 per cent (for 11 months)—again a very sharp contrast; the one off 31 per cent, the other above 1926 by 12 per cent.

1932 was the low year for business in Canada. Curiously enough, for the railways it was 1933. The reason was that there was a much smaller wheat movement in 1933 than in 1932. 1929 represents the greatest prosperity in Canada in various respects, but 1928 was the year when the railway gross business was the largest. That is because that year the wheat movement was the largest; much larger than in 1929.

Hon. Mr. HAIG: It is now two or three minutes to six o'clock. I suggest that we adjourn.

Hon. Mr. DANDURAND: We can continue to-morrow morning.

The Committee adjourned until to-morrow morning at 11 a.m.

EXHIBIT No. 102

SESSION 1939

HOUSE OF COMMONS

STANDING COMMITTEE

ON

RAILWAYS AND SHIPPING

Owned, Operated and Controlled by the Government

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 1

TUESDAY, APRIL 18, 1939

WITNESSES:

Mr. S. J. Hungerford, President.

Mr. S. W. Fairweather, Chief of Research and Development.

Mr. T. H. Cooper, Comptroller.

Mr. W. M. Armstrong, Assistant Director, Bureau of Economics.

OTTAWA

J. O. PATENAUDE, I.S.O.

PRINTER TO THE KING'S MOST EXCELLENT MAJESTY

1939

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

Room 277,

April 18, 1939.

The Standing Committee on Railways and Shipping met at 11 o'clock. The chairman, Sir Eugène Fiset, presided.

The CHAIRMAN: Gentlemen, as you know we reduced our quorum to eight at our last meeting, and as we have a full quorum now I should like to ascertain if it is the desire of the members of the committee to have the order of reference read. It is a long document and we all know what it is. I do not think it will be necessary to read it.

Hon. MEMBERS: No.

The CHAIRMAN: We shall then start with the annual report of the Canadian National Railways. The report of the president will be read by Mr. Armstrong.

Mr. ARMSTRONG: (Reads):

CANADIAN NATIONAL RAILWAYS

MONTREAL, March 20, 1939.

The Honourable C. D. HOWE, M.P.,
Minister of Transport,
Ottawa.

SIR,—In conformity with sections 14 and 15 of *The Canadian National Canadian Pacific Act, 1936*, the Board of Directors submits the following report of the operations of the Canadian National Railways for the calendar year 1938.

RESULT OF OPERATIONS

	1938	1937	Increase or Decrease
Operating revenues	\$182,241,722 93	\$198,396,608 61	\$16,154,885 68
Operating expenses	176,175,311 78	180,788,858 09	4,613,546 31
Net operating revenue	\$ 6,066,411 15	\$ 17,607,750 52	\$11,541,339 37
Operating ratio	96.67%	91.12%	
Net of other income and profit and loss requirements	\$ 9,615,459 68	\$ 9,320,522 24	294,937 44
Net available for interest	\$ 3,549,048 53	\$ 8,287,228 28	\$11,836,276 81
Interest on funded debt held by public	49,839,022 58	48,888,545 56	950,477 02
Interest on government loans	926,124 86	1,744,550 71	818,425 85
Cash deficit	\$ 54,314,195 97	\$ 42,345,867 99	\$11,968,327 98

Operating Revenues

The decline in general business activity in the latter part of 1937, as referred to in the report for that year, continued throughout the greater part of 1938 with its inevitable reaction on railway revenues. The effect was most marked on the lines of the Company in the United States, the revenues of which declined 23% as compared with a decline of 5% on the lines in Canada, the latter in turn being adversely affected by a decrease in international traffic.

Gross operating revenues totalled \$182,241,723, a decrease of \$16,154,886, or 8·14%, from the preceding year. During the first nine months of the year the reduction was \$15,737,865, and in the last quarter, \$417,021, indicating the traffic trend during the year. The increased grain movement contributed to check the decline in revenue in the last quarter.

Freight revenues decreased by \$14,026,556, or 9·1%. A statement of revenue tonnage appears on pages 24 and 25. System grain tonnage increased by 1,446,850 tons, or 40·5%. There were no major freight rate changes during the year in Canada. In the United States the Interstate Commerce Commission authorized a general increase in freight rates of approximately 7%, effective March 28, 1938. The Board of Transport Commissioners for Canada authorized the application of these increases in connection with international traffic.

Passenger revenues decreased by \$847,918, or 4·5%. In Canada coach excursion rates were increased by 25% during the year and in the United States coach class mileage rates were increased from 2 cents to 2·5 cents per mile in the eastern territory, this latter change also affecting certain Canadian rates.

Express revenue decreased \$535,280, or 5·7%; Commercial Telegraph revenue decreased \$411,981, or 8·4%; Switching revenue decreased \$432,562, or 17·6%.

Operating Expenses

The operating expenses for the year totalled \$176,175,312. This is a decrease of \$4,613,546 or 2·55% as compared with 1937. A summary of operating expenses will be found on page 14 and details on pages 15 to 17.

The decrease in expenses was effected notwithstanding increases in wage costs due to the restoration of basic wages in Canada and to wage increases in the United States, reference to which was made in the 1937 report. These wage increases affected the 1938 expenses as compared with 1937 by \$6,082,000. Another factor affecting the expenses was an increase in the price of materials, which amounted to \$900,000. Apart from these features, there was a reduction in operating expenses of \$11,600,000 as compared with the previous year. This was effected by a policy of holding operating expenses to a minimum, consistent with efficiency of operation and the provision of needed services.

During the first quarter of the year motive power and car shops were operated on a basis which would ensure an adequate supply of serviceable equipment to meet anticipated heavier transportation needs, particularly in connection with Western grain traffic. Subsequently, and concurrently with the decline which developed in Eastern and International traffic, maintenance of equipment forces throughout the system were reduced approximately 25%.

While maintenance expenses have been kept to a minimum, the property and equipment is in good condition having regard to the volume of business to be handled.

Net of Other Income and Profit and Loss Requirements

The accounts under this group increased \$294,937 over 1937.

Taxes amounted to \$6,946,873 compared with \$6,697,242 in 1937. These figures are exclusive of sales tax added to the cost of materials, which amounted to \$3,150,000 as compared with \$4,200,000 in 1937.

The revenues from hotel operations increased \$98,875 over 1937, and after meeting operating expenses and taxes the net operating income was \$226,014, an increase of \$25,927 over 1937.

Net equipment rentals payable by the company decreased \$575,000.

Loss on sale of the ss. *Prince Henry* applicable to the expired service life of the vessel charged to income in 1938 amounted to \$668,195.

The cost of exchange increased \$493,000 over 1937.

Interest Charges

The total requirements for interest on funded debt held by the public in 1938 were \$49,839,023, as compared with \$48,888,546 for 1937, an increase of \$950,477.

Interest payments to the Government on temporary loans for capital purposes amounted to \$926,125, as compared with \$1,744,551 for 1937, a decrease of \$818,426.

The changes reflect the financing during the year which had for its object the refunding by public issues of Government temporary loans for capital purposes.

Cash Deficit

The net operating revenue for the year 1938 was \$6,066,411, a decrease of \$11,541,339 from the preceding year. After payment of all other charges, excepting charges to Proprietor's Equity under the provisions of The Canadian National Railways Capital Revision Act, 1937, as outlined on page 12, there was a deficit of \$54,314,196 as compared with \$42,345,868 in 1937.

CAPITAL EXPENDITURE ACCOUNT

The net expenditures on property investment account for the year 1938 amounted to \$10,798,792 made up as follows:

Rolling stock purchased or built	\$11,233,216
Betterments to freight and passenger equipment.	837,062
Air-conditioning passenger cars.	761,659
Senneterre-Rouyn branch line	2,064,924
Vancouver hotel	963,149
General additions and betterments, less retirements	2,734,764
Equipment retirements—Credit	7,795,982
	<hr/>
	\$10,798,792

The Senneterre-Rouyn branch line authorized by chapter 26, 1936 was formally opened for operation on December 3, 1938. It is anticipated that the opening of direct railway transportation to this rich mineralized section will be an important factor in further development of the area. As shown above \$2,064,924 was spent during the year, the total cost to December 31, 1938, being \$5,315,134.

The following rolling stock was purchased or built during the year: 8 locomotives; 2,310 box cars; 25 coal cars; 61 baggage cars; 6 dining cars; 5 mail and express cars; 1 buffet sleeping car; 26 snow ploughs; and 11 miscellaneous work units.

The following units of rolling stock were retired during the year: 50 locomotives; 5,383 freight train cars; 8 passenger train cars; and 300 work units. The cost of this equipment, less salvage (and less depreciation on units owned by United States Lines) was charged to operating expenses.

During the year 1938, 148 additional air-conditioned units were placed in service, the total number of such units at December 31, 1938, being 401. The program for the year 1939 provides for an additional 92 units. Air-conditioned cars operated by the Pullman Company over Canadian National lines number 52.

FINANCE

Retirement of Obligations

Expenditures for the retirement of capital obligations, including sinking fund and equipment principal payments, amounted to \$9,035,275, which was financed from temporary loans from the Government.

New Issues

Under authority of the Canadian National Railways Refunding Act, 1935, and the Financing and Guarantee Act, 1937, an issue of Canadian National Railway Company Dominion Guaranteed Bonds was made dated December 15, 1937, and January 15, 1938, the proceeds therefrom being used to retire temporary loans for capital purposes made by the Government during the years 1932 to 1937. The entire issue was sold in January, 1938. The issue comprised:—

\$20,000,000 2 per cent four-year bonds dated January 15, 1938; sold at 99 per cent at an annual cost of 2·26 per cent.

\$30,000,000 3 per cent thirteen-year bonds dated December 15, 1937; sold at 96·25 per cent at an annual cost of 3·36 per cent.

An issue of \$7,600,000 Canadian National Railways 2½ per cent Equipment Trust Certificates, Series "P" 1938 was made to provide for the payment of part of the purchase price of new equipment costing over \$10,000,000. The certificates, which mature serially in fifteen annual instalments, were sold at an average of 97·81 per cent the annual cost being 3·08 per cent.

1938 Refunding Act

Under the provisions of the Canadian National Railways Refunding Act, 1938, temporary loans were received from the Dominion Government for retirement of the following issues:—

Rail & River Coal Company 5% First Mortgage Bonds due April 1, 1938	\$ 916,000
Canadian National Railway Company 2% 3 Year Bonds due May 1, 1938.. . . .	13,400,000
Canadian Northern Ontario Ry. Co. 3½% Debenture Stock due June 30, 1938	6,725,485
	<hr/>
	\$21,041,485

These temporary loans were repaid to the Government from the proceeds of a 2½ per cent and 3 per cent Bond Issue dated January 15, 1939.

GENERAL

Pension and Social Security Plans

The total number of pensioners at December 31, 1938, under Canadian National pension plans totalled 6,913 as compared with 6,287 at December 31, 1937. Employees pensioned during the year numbered 991 and 365 pensioners died. Pension costs to the railway under the various pension plans in effect were \$4,159,798 in 1938 as compared with \$3,993,734 in 1937.

Under the United States Railroad Retirement Act and the Carriers' Taxing Act the tax payable (equal to 2½ per cent of employees' compensation) in respect of system operations in the United States for the year 1938 amounted to \$461,000 as compared with \$515,000 in 1937.

The cost to the National System under United States Federal and State legislation dealing with unemployment insurance and old age benefits other than covered by the Railroad Retirement Plan amounted to \$595,000 in 1938 as compared with \$459,000 in 1937.

Trans-Canada Air Lines

During the year additional calls aggregating 47 per cent or \$2,350,000 on the capital stock (\$5,000,000) of Trans-Canada Air Lines were met by the Canadian National Railway Company. To December 31, 1938, the amount subscribed was \$3,200,000.

Unemployment Relief Expenditures

Under the Dominion Government Work Relief Program whereby among other things provision was made for financing of necessary construction with respect to highway crossing protection and other railway projects deferred under present conditions, several projects were undertaken by the Company wholly or partly at the expense of the Government. The more important of these projects involved subway construction at Montreal, St. Hyacinthe and Toronto, an overhead bridge at Prince Albert and a new station at Saskatoon.

Cartage Service

Effective February 1, 1938, the Company commenced operation of its own freight cartage services at Montreal and St. Hyacinthe, Que., and Brantford, Guelph and London, Ont., these services having previously been operated by outside contractors. This change has been well received by the shipping public and has resulted in economies.

Montreal Terminals

During the year a study was made of the Montreal Terminal project, work on which had been suspended for some years.

In such study the directors gave consideration to the following factors:—

- (a) The necessity for rational co-ordination of passenger and freight terminals of the Canadian National in the interests of efficiency and economy.
- (b) The adverse effect, financial and otherwise, upon the operations of the company through the continued use and maintenance of antiquated and unco-ordinated terminal facilities inherited from predecessor companies.
- (c) The long-standing grade crossing problem in Montreal.
- (d) The effect upon the development and growth of the city, industrially and otherwise.
- (e) The provision of a satisfactory suburban service between South Shore communities and the centre of the city.
- (f) The amount of money already invested in the property standing idle.
- (g) The necessary developments in the light of present day conditions and requirements as well as future necessities, including eventually, if decided upon, a union terminal.
- (h) The pre-eminent suitability of the location of the central station for a union terminal demonstrated by exhaustive study of the situation by the company's engineers as well as by a special independent study made by Sir Frederick Palmer, M. Inst. C.E., M.Am. Soc. C.E., who was engaged by the Dominion Government for the purpose.

The Directors therefore decided that the company should proceed with the completion of the terminal by stages as conditions warrant, taking advantage of any favourable factors which may from time to time prevail for doing work which contributes to the eventual completion.

The Dominion Government has recognized the importance of this project as a means of relieving unemployment and has contributed to the cost of the work a portion of the funds voted by Parliament in its construction and rehabilitation appropriation, and tenders have been called and contracts placed for the construction of certain items of the work. Further progress is contingent upon the project being assisted as an unemployment relief measure to the extent of the direct labour content of the work performed.

Co-operation

With a view to expediting progress on co-operative measures between the Canadian National and the Canadian Pacific Railways a new committee termed the Vice Presidents' Joint Committee was formed during the year, consisting of Messrs. N. B. Walton, R. C. Vaughan and Alistair Fraser for the Canadian National and Messrs. D. C. Coleman, George Stephen and H. J. Humphrey for the Canadian Pacific.

The Canadian National section of the committee has made certain proposals looking to further co-operative measures including amongst others a proposal for the pooling of all competitive passenger traffic throughout the Dominion.

It has been agreed that subject to approval of the Board of Transport Commissioners the following additional lines of railway should be abandoned:

From	To	Province	Railway	Mileage
Arnprior	Eganville	Ontario	Can. Nat.	37.91
Portage La Prairie	Delta	Manitoba	Can. Nat.	14.53
Oakland	Cawdor	Manitoba	Can. Nat.	11.55
Muir	Gladstone	Manitoba	Can. Nat.	10.30
McGregor	Varco	Manitoba	Can. Pac.	54.41
Hallboro	Beaulah	Manitoba	Can. Nat.	75.19
Hamiota	Miniota	Manitoba	Can. Pac.	19.80
Trelle	Morinville	Alberta	Can. Nat.	12.21
Carbondale	Egremont	Alberta	N. A. Rys.	29.76

With regard to the 637 miles previously approved for abandonment, progress has been made in the development of the necessary agreements between the two railways. In the case of the Canadian National line between Middleton and Bridgetown in Nova Scotia and the Canadian Pacific line between Linwood and Listowel in Ontario, with respect to which agreements have been executed, applications for approval of the abandonments have been made to the Board of Transport Commissioners, but decisions have not yet been given by that body.

Vancouver Hotel

The agreement covering the joint operation of the new Canadian National hotel at Vancouver was completed on July 28, 1938. The Vancouver Hotel Company Limited was incorporated under date of October 4, 1938, with an authorized capital stock of \$500,000, to be held in equal portions by the Canadian Pacific and Canadian National. The opening date of the new hotel, which will be known at the "Hotel Vancouver," has been set for May 25, 1939.

Property Abandonments

With a view to accomplishing economies in operation wherever compatible with adequate service to the public, examinations were continued into the possibility of abandonment of light traffic branch lines. During the year 1938 authority for abandonment was received from the Board of Transport Commissioners for the following lines:

From	To	Province	Mileage
Dombourg	St. Marc.	Quebec	22.25
La Jemerais	Mont Mills	Quebec	6.04
Farnham	Frelighsburg	Quebec	17.90
Twin City Junction	Mackies	Ontario	35.40
James Bay Junction	Otter Lake	Ontario	2.86

In addition to the foregoing, authority was given by the Interstate Commerce Commission to abandon 25.76 miles from Cambridge Junction to Essex Junction in the State of Vermont, forming part of the Central Vermont Railway.

General Outlook

The reduction in railway revenues for 1938 marks the first set-back from the slow but steady annual increase since 1933.

The situation in 1938 was not peculiar to Canada. In the United States the railroads suffered one of the worst years in the history of transportation. In Great Britain the slump in railway revenues gave much concern to railway management in that country and was the subject of appeal to the British Minister of Transport with particular reference to necessity for equality in competition in the transportation field.

While the decline in business in 1938 was a continuance of the general recession which started in the latter part of 1937, the prospects for 1939 are more favourable since there is indication that the improvement in conditions experienced late in 1938 will continue. The influence of the present improvement in the United States will also be felt by the Canadian National Railways.

OBITUARY

Record is made with deep regret of the following deaths during 1938: Hon. C. P. Fullerton, K.C., former Chairman of the Board of Trustees, died October 5, 1938; Mr. D. B. Hanna, first President of the Canadian National Railways, died December 1, 1938.

Acknowledgment is made of the loyal and efficient service rendered by officers and employees and of the patronage extended to the Canadian National Railways by the public during the year 1938.

For the Board of Directors,

S. J. HUNGERFORD,
Chairman.

The CHAIRMAN: Gentlemen, before proceeding with the discussion of the report the management have a special statement prepared on the Montreal terminal which they want to place on record. I should like to hear that report read before we start the discussion. Mr. Fairweather will present this report.

Mr. S. W. FAIRWEATHER: Mr. Chairman and gentlemen, this memorandum is an elaboration in more detail of the reference to the Montreal terminals which is included in the annual report. It goes into considerable detail, but that detail is necessary for a proper understanding of the situation. I shall read you the statement:—

STATEMENT OF CANADIAN NATIONAL POSITION WITH REGARD TO THE MONTREAL TERMINALS

Following upon a careful study of all factors, the Canadian National board of directors decided to resume work on the Montreal project of the railway, but on a substantially modified plan. The study made showed that while passenger operating savings alone would not give an adequate return on the investment immediately, the segregation of the passenger terminals and coach yards made possible future adjustment of separate freight handling facilities which would justify the expenditures involved and to be involved. Added to this were the practical necessity of dealing with an aggravated situation of four passenger terminal stations on one system conducted and operated with little relation to each other, public service and convenience, grade crossing and congestion atrocities, the future of the city, growth of traffic and other important collateral considerations.

As to the necessity of the work being undertaken in the near future there could be no question; and the undertaking of the work at this time made possible a saving in cost of approximately 40 per cent, which is to be defrayed as an unemployment project and not chargeable to the company.

The factors studied by the board of directors were as follows:—

(A) The necessity for rational co-ordination of passenger and freight terminals of the Canadian National in the interests of efficiency and economy.

(B) The adverse effect, financial and otherwise, upon the operations of the company through the continual use and maintenance of antiquated and unco-ordinated terminal facilities inherited from predecessor companies.

(C) The long-standing grade crossing problem in Montreal.

(D) The effect upon the development and growth of the city, industrially and otherwise.

(E) The provision of a satisfactory suburban service between South Shore communities and the centre of the city.

(F) The amount of money already invested in the property standing idle.

(G) The necessary developments in the light of present day conditions and requirements as well as future necessities, including eventually, if decided upon, a union terminal.

(H) The pre-eminent suitability of the location of the central station for a union terminal demonstrated by exhaustive study of the situation by the company's engineers as well as by a special independent study made by Sir Frederick Palmer, M.Inst.C.E., M.Am.Soc.C.E., who was engaged by the Dominion Government for the purpose.

A synopsis of the consideration which was given to each of these factors is as follows:—

(A) *The necessity for rational co-ordination of passenger and freight terminals by the Canadian National in the interests of efficiency and economy.*

The terminal facilities of the Canadian National Railways on the Island of Montreal consist of those of the former Grand Trunk Railway and of the Canadian Northern Railway. These facilities have not been added to nor have they been changed except to a minor degree since the incorporation of the Canadian National Railway Company in 1919. Neither the Grand Trunk nor the Canadian Northern considered its terminal facilities adequate for its business and each had terminal development plans either under contemplation or under construction when the companies came under the control of the government. The rational co-ordination of the passenger and freight terminals in the interests of efficiency and economy has not been brought about.

The terminal facilities, to which reference is made, consist of various lines of railway which converge on Montreal and the freight and passenger facilities consisting of passenger depots, coach yards for storing, cleaning and otherwise servicing passenger train equipment, freight yards for the accommodation of freight trains, assembling of cars into trains, classification of cars for switching to industries, provision for storage and repair of cars, engine houses and freight sheds for handling inbound and outbound less-than-carload traffic, as well as team tracks and many other facilities which are necessary in a complicated terminal of a large city.

Now, gentlemen, we have available a map which shows the general situation in Montreal, and I would ask Mr. Armstrong to briefly run over the situation there with a pointer so that we may have an understanding of just where the Montreal terminal problem is. In the first place, you will notice that the approaches of the Canadian National Railways to Montreal consist of lines which concentrate at the end of the Victoria bridge. Those lines are the main lines to the Maritime Provinces, the main line to Boston and New York, and a line serving the segment which lies between the St. Lawrence river and the Richelieu river. Coming in from the west you have the main line of the Canadian National which crosses the island at Ste. Anne's. That is the red line.

Mr. YOUNG: What is the purple line?

Mr. FAIRWEATHER: That is the Canadian Pacific railway. Then on the north of the island you will see two lines which cross what is known as the Back river. There is the Canadian National line into the Laurentians, which furnishes also a connection to Hawkesburg and Ottawa. The other line crosses the river at Bout de L'Ile and comes in at the east end of the city. Then there is the electric line which crosses the Victoria bridge and serves the suburban and urban territory on the south shore of the St. Lawrence, reaching a terminus at the foot of McGill street.

Mr. YOUNG: What line was that originally?

Mr. FAIRWEATHER: The Montreal and Southern Counties Railway. Now, the remarkable thing about those lines when you look at them is this, that they approach the city from each quarter of the compass—north, south, east and west—and the other remarkable thing about them is that when they reach the city they fail to be co-ordinated. I will ask Mr. Armstrong to point out Bonaventure station on the map; and Moreau street; the tunnel terminal and McGill street. Each of those stations in the metropolitan area is independent of the other and has to be served as an independent unit. They constitute, together with the freight facilities which go along with the passenger facilities, the Canadian National terminal problem in Montreal.

With regard to the freight yards, I might point out that there is a yard at Point St. Charles; there is another yard at Turcot; and there is a yard at Longue Pointe. Now, Turcot yard and Point St. Charles yard are connected by the main line of the C.N.R., but each of them is inadequate for the business that is being done there. Longue Pointe yard in the east end of the city has no connection by Canadian National rails with the facilities at the west side of the city unless you go clear out to Joliette and come away round back into the city the other way, a distance of 108 miles. As a temporary measure, for a considerable number of years now, the Canadian National reaches those facilities in the east end by an interchange across the harbour belt railway, and this works reasonably well, but in periods of congested traffic when the harbour is busy it does not make a satisfactory connection.

That brief sketch regarding the map will give you some background of what the Montreal terminal problem consists, namely, the co-ordination of four disconnected passenger facilities and the adaptation and improvement of freight facilities, so that taking the Montreal facilities which were inherited from predecessor companies, they could be consolidated into one unit, capable of being operated effectively as a unit.

The following is a tabulation of the principal elements which comprise the existing Canadian National terminals:—

RAILWAY LINES CONVERGING ON MONTREAL

South of St. Lawrence River	
Subdivision	Route from
Rouses Point & Massena	St. Johns, Que., New York, Boston, Massena.
St. Hyacinthe	Maritime Provinces, Sherbrooke, Quebec, Portland, Maine.
Sorel	Sorel, St. Gregoire.
M. & S.C. Ry.	St. Cesaire, Granby.
M. & S.C. Ry.	St. Lambert, Montreal South.
North of St. Lawrence River	
Subdivision	Route from
Cornwall	Ottawa, Toronto and West.
Mount Royal	Laurentian Mountains, Hawkesbury, Ottawa.
L'Assomption	Quebec, Lake St. John, Noranda, etc.
Passenger Stations	Coach Yards
Bonaventure (Terminal)	St. Henri.
Tunnel Terminal	Longue Pointe.
Moreau St. (St. Cath. East) (Terminal)	St. Lambert (M. & S.C.).
McGill St. (M. & S.C.) (Terminal)	Tunnel Terminal.
St. Henri	
Point St. Charles	
Freight Sheds	Freight Yards
Bonaventure	Turcot
Fruit Terminal (Guy St.)	Point St. Charles.
St. Henri	Longue Pointe.
Moreau Street	Southwark (Not in use).
Point St. Charles	
Cote St. Paul	
Engine Houses	Principal Team-Tracks
Turcot	Charlebois St. (Bonaventure).
Longue Pointe	Cote St. Paul
Val Royal (Elec. Shop)	Gilmour (St. Henri).
St. Lambert (M. & S.C. Car House)	McGill Street.
	Wards (Atwater Avenue).
	Moreau Street.
	Cartierville.

There are numerous other locations where freight is loaded and unloaded on C.N.R. team tracks.

This table gives some indication of the disjointed nature of the Montreal terminals, which can be readily understood from the history of the predecessor companies. Certainly if the Montreal terminals had developed as a unit, this condition of affairs would not now exist. For a full realization of the disjointed nature of the facilities it is necessary to refer to the terminal layout in detail. It will be seen that the facilities lying in the north of the city and which are connected by the tunnel under Mount Royal with the Lagauchetiere street station, depend, for a connection with the facilities in the west end of the city, on a single track line of railway.

That is a line known as the Lachine, Jacques Cartier, Maisonneuve railway. It is available for freight purposes and is valuable; but it is a single track line and is subject to congestion.

The facilities lying in the east end of the city have no terminal connection with the facilities in the north or the facilities in the west. Only between the south and west is there a co-ordination of facilities and even in those quarters the Montreal and Southern Counties Railway remains unco-ordinated with other facilities.

This condition of affairs makes it necessary, in effect, to carry on three steam railway operations and one electric operation, and is apparent to the travelling public because it is well known that Bonaventure station, Lagauchetiere street station, Moreau street station and McGill street station are all as distinct as if they were operated by different railways.

A similar condition, which is not so apparent to the travelling public, exists as regards freight traffic and, from the railway operating standpoint, is an even greater handicap. The disjointed nature of the facilities causes a considerable duplication of effort and limits the freedom with which traffic can move in and out of the various lines which converge on Montreal. It is true that an arrangement is in effect for the National Harbours Board to transfer cars to and from the Canadian National facilities in the east end of the city, but this arrangement has been found to lead to considerable delay during the season of navigation when the harbour facilities are being utilized practically to capacity. While it is possible for the company to operate with these disjointed facilities, it is only plain common sense to plan for the co-ordination of them into a rational and coherent unit. Economies would be effected by such a co-ordination and there would be a general improvement as the result of the increased efficiency with which terminal operations would be conducted.

- (B) *The adverse effect, financial and otherwise, upon the operations of the company through the continued use and maintenance of antiquated and unco-ordinated terminal facilities inherited from predecessor companies.*

The operating disabilities which arise from the disjointed terminal facilities undoubtedly have an adverse effect upon the company's operations, not only as regards the cost of handling existing traffic, but also due to the adverse effect upon the company's ability to obtain prospective traffic by reason of ancient and unco-ordinated facilities. Certain of the facilities are suffering not only from lack of co-ordination, but also from being obsolete. This is very evident to the public in the main passenger station at Bonaventure, which is no credit either to the railway company or to the city. The continued operation of such an inadequate and obsolete passenger station undoubtedly has an effect upon the passenger traffic of the railway.

Joint with every passenger terminal and an inherent part of its operation is a coach yard, and from the standpoint of operating costs the station and coach yard must be considered as a unit. The coach yard which serves Bonaventure Station is located at St. Henri. It is obsolete, but owing to the confined space it is impossible to modernize the facility if it is maintained in that location.

The main freight facilities are at Turcot, where there are yards for the accommodation of freight trains and for classification purposes. These yard facilities, although admirably located, are not of sufficient size and character to enable all yard operations to be carried on there, and it is necessary to use still older yard facilities in Point St. Charles to supplement them. This results in switching operations and transfer

movements which would be unnecessary if the Turcot facilities were adequate. Careful studies of the situation have indicated the possibility of economies from a re-arrangement of the Turcot facilities. In order to procure space for this improvement and enlargement, the adjacent area now occupied by the St. Henri coach yards must be utilized.

One antiquated feature of the terminal facilities inherited from the Grand Trunk is that freight and passenger terminal facilities are mixed together, whereas for maximum efficiency of operation at Montreal it is desirable to segregate the passenger and freight facilities in the terminal area as far as possible. The Bonaventure area contains both main passenger and freight facilities, as well as the large fruit and produce terminal and other industries. This condition creates difficulties in handling both classes of traffic in order to avoid interference between the two types of movement, and so long as it is continued it is impossible for the railway to modernize either the freight or passenger facilities in that area because of lack of space. With the development of competitive highway transport, the freight shed facilities of the railway become of greater importance and must conform to the requirements of convenience, accessibility and low costs of operation.

The adverse effect of antiquated and unco-ordinated facilities is not limited to the excess cost of terminal operation, but extends to the much wider field of prospective traffic and the ability of the railway to attract industries to locate on its lines of railway. The railway must plan for future development and must be able to offer prospective industries prompt and efficient service; this can only be done if the terminal facilities are modern and co-ordinated.

(C) The long-standing grade crossing problem in Montreal.

If railways are to serve the city adequately with freight and passenger facilities, it is necessary to have lines of railway reaching into the heart of the city and also to have lines of railway serving the industrial zones. The Canadian National facilities in Montreal are no exception. The predecessor companies of the Canadian National each had serious grade crossing problems to face. In 1912, following prolonged study and hearings, oral judgment was given by the Board of Railway Commissioners under which the Grand Trunk Railway became liable to make grade separations estimated to cost 20 millions of dollars at present day prices. The consummation of that plan was deferred by the war. The Canadian Northern faced a similar problem in the east end of the city. Through pressure of public opinion, the problem again became acute in the spring of 1927 and as a result of an order of the Board of Railway Commissioners the Canadian National Railway system was asked to prepare a plan for solving the problem. It developed that there were 63 Canadian National grade crossings in the Montreal terminal area. The central terminal plan submitted to the board by the Canadian National in the fall of 1927 provided for the solution of this problem. After the expenditure of \$16,651,000 on this plan, work was discontinued in 1931 due to the depression and was not resumed until recent months. Since 1927, 17 grade crossings have been eliminated, either as the result of the partial construction of the terminal development prior to work being suspended or as works undertaken to relieve unemployment since that time. There remain 46 level crossings, several of which are at intersections with important streets. It is certain that the problem created by these remaining grade crossings is one which must be faced by the city and by the railway, and some plan looking to its alleviation must be proceeded with as financial conditions warrant.

(D) *The effect upon the development and growth of the city, industrially and otherwise.*

The effect of the terminal plan upon the growth of the city of Montreal is intimately connected with the elimination of grade crossings, the provision of conveniently located modern passenger station facilities, the improvement of streets in the congested part of the city, and, above all, the provisions of adequate freight facilities, including industrial trackage to serve new industries.

While the alleviation of the grade crossing situation as such does not present any opportunity for substantial economy to the railway, it does have great value to the city by allowing an uninterrupted flow of traffic on the city streets. This is particularly true of the city of Montreal, in which railway lines tend to interfere seriously with north and southbound street traffic. A particularly helpful feature of the terminal plan, from the standpoint of the city, is the opportunity which will be afforded of connecting Windsor street directly with Colborne street, which in turn leads to the vehicular traffic tunnel under the Lachine canal. Also, the new streets which are provided in the new passenger terminal area will relieve congestion, particularly by affording improved connections between the upper and lower levels of the city. The hotel and retail sections of the city will be brought into closer relationship with arriving and departing Canadian National passenger traffic by the provision of a modern passenger station on the Dorchester street site, thus adding to public convenience.

From the new passenger terminal a rapid-transit suburban service can be supplied to the northern sections of the Island of Montreal, through the Mount Royal tunnel, and also to south shore communities—St. Lambert, etc.—by means of the viaduct and the Victoria bridge. This suburban traffic will become increasingly important as the city develops. The construction of an additional highway on the Victoria bridge would be a great improvement to one of the main entrances into the city; the co-ordination of the M. & S. C. railway as part of the terminal plan will permit this improvement to be made.

(E) *The provision of a satisfactory suburban service between south shore communities and the centre of the city.*

For a number of years the provision of a satisfactory suburban service between the south shore communities and Montreal has been a problem. The south shore communities have repeatedly approached the Canadian National with a view to improving services, pointing out the inadequacy of the Montreal and Southern Counties terminus at McGill street, situated at a great distance from the retail centre of the city, also the limitation upon the service caused by the fact that the railway has to use street car tracks to reach its Montreal terminus and operates over a single track on the Victoria bridge. With the building of the Montreal terminal, it will be possible to provide an excellent suburban service to the south shore communities, furnishing them with an expeditious movement via the terminal viaduct into the centre of the city.

(F) *The amount of money already invested in the property standing idle.*

The amount of money already invested in the Montreal terminal development is \$16,651,000. So long as these works are not proceeded with, this, to a large extent, represents a dead loss, neither the city nor the railway obtaining a commensurate benefit from the outlay already made.

- (G) *The necessary developments in the light of present-day conditions and requirements as well as future necessities including eventually, if decided upon, a union terminal.*

In the light of present developments, the minimum requirements to segregate the passenger and freight terminal facilities of the Canadian National Railways and to provide for the development of the central passenger terminal on a scale suitable to handle the present and reasonably prospective business, consist of a passenger station with 11 station tracks, street approaches, baggage, mail and express facilities, the completion of the viaduct to the Victoria bridge with a connection to Point St. Charles, construction of a coach yard at Point St. Charles and the electrification of the approaches.

Although designed primarily to meet Canadian National Railways requirements, the central passenger terminal can be adapted to development as a union passenger terminal with a minimum of additional expense.

I would say that the cost of providing the facilities indicated above is \$12,600,000. That is for providing the passenger facilities, the viaduct and the rest of it.

- (H) *The pre-eminent suitability of the location of the Central station for a union terminal demonstrated by exhaustive study of the situation by the company's engineers as well as by a special independent study made by Sir Frederick Palmer, M. Inst. C.E., M. Am. Soc. C.E., who was engaged by the Dominion Government for that purpose.*

In discussing the question of a Union station in Montreal, the interests of all parties have to be considered; that is, the interests of the travelling public, the city and the Canadian National Railways must be considered as well as those of the Canadian Pacific Railway Company. There are many reasons why the Windsor street site is not suitable to the travelling public, the city and the Canadian National Railways as a union station, none of which apply to the Dorchester street project either from their standpoint or the standpoint of the Canadian Pacific Railway company. Considered on that basis, it has been demonstrated that Windsor street station is incapable of being made into a true union station, but that the Dorchester street site has all the attributes of such a station.

The reasons are as follows:—

1. *Authoritative statement of an outstanding consulting engineer, chosen by the Government of Canada to report impartially upon the railway terminal plan for Montreal.*

Sir Frederick Palmer, M.Inst.C.E., M.A.M.Soc.C.E., consulting engineer, was selected by the government, in effect, to arbitrate the conflicting views of the Canadian National and Canadian Pacific Railways. His conclusions are free from bias, because he was employed neither by the Canadian National nor by the Canadian Pacific. He brought to bear upon the problem his best engineering ability and wide experience. His conclusions must be given great weight, particularly since his point of view was that of the best interests of the city and of the nation. The pertinent excerpts from Sir Frederick Palmer's report, bearing upon the use of Windsor Street Station as a union terminal, are as follows:—

"Many other proposals had previously been submitted to the railway authorities or to the press, which are mainly on the lines of providing a Union Station for both the C.P.R. and C.N.R. systems. Some of the schemes put forward had been prepared by engineers, but most of them might be described as 'amateur efforts.' It is believed that every one of these proposals has been carefully considered (certainly all the known proposals have been examined) and it is no disparagement to even the best of these schemes to say that the C.N.R. plan, which has resulted from prolonged study of the question, in all its aspects by the extremely competent officials of that railway, is incomparably the best."

Hon. Mr. STEWART: What is the date of that report?

Mr. FAIRWEATHER: 1929.

"Since the plan was made public, the C.P.R. authorities, in response to the request to give it consideration, engaged the C. E. Smith Co. of Consulting Engineers, St. Louis, to review the proposals. The outcome of their report is the adoption of the present Windsor street station site for a union station, with access thereto from the C.N.R. by a new line from St. Henri on that railway to a point on the C.P.R. slightly west of Windsor street station, and it is believed that, in further study of the question, it is admitted that no other alternative seems practicable.

"Now the existing Windsor street station, although not modern, is well equipped, and affords ample accommodation for the present traffic of the railway system it serves. Without considerable extension it would not suffice for any large increase in passenger traffic, and certainly not for the additional facilities which would be necessitated by the addition of C.N.R. traffic. It is understood that the C.P.R. authorities have in view the enlargement of the station northwards, and there can be no doubt that, at a price, it can be sufficiently extended to provide for both railways in regard to present traffic and reasonable growth thereof.

"There are, however, other considerations in respect of which it falls far short of the legitimate requirements of a union station. It is not 'union' in the sense of being a centre from which lines radiate, or can radiate, to north, south, east and west. That is impossible without detours of varying magnitude in all directions excepting the west—the principal direction admittedly. Then it is not nearly so well served by the main arterial roads of the city, which may be said to lie between Sherbrooke street on the north and Notre Dame street on the south, both inclusive. Its main access is by Antoine street, and other west to east main streets are only reached by cross roads. The connecting line to the C.N.R. can only be made mainly on a viaduct running diagonally across Antoine and St. James' streets, and over several cross roads, without any reasonable prospect of the viaduct being flanked by buildings as is proposed for the short viaduct south of the tunnel site station.

"It is believed that the C.P.R. authorities are convinced that the Windsor street site is the only other possible one which could be considered, and as they must be fully aware of the many projects which have been made public from time to time, it follows that, in their opinion, a Union station is only possible at Windsor street or the tunnel site. For the reasons given in the last paragraph, Windsor street, besides having other disabilities, is not in reality a Union station.

"The tunnel site on the other hand, possesses every attribute which a central station can have. Geographically, it is somewhat nearer to the trade centre of gravity. It is nearer to the commercial and financial centres and nearer, also, to the more densely populated portion of the city lying between Victoria square and Mile End.

"No provision was made in the original proposal for admitting the C.P.Ry. It was conceived solely for the purpose of providing passenger facilities for the Canadian National lines serving Montreal and, consequently, was in no sense a Union station. It may be that the C.N.R. officials were concerned in serving only their own needs, but the development of the project, which so obviously follows upon consideration of the general lay-out, is so important that some little trouble has been taken in adapting the site to the possibility of a real Union station. Alterations of a very minor character have converted it into a really first-class Central Terminal station project for Montreal, in which present and future traffic from all directions can be accommodated.

"Whether the C.P.R. are, or are not, prepared to take advantage now of this opportunity of bringing all their Montreal traffic into one Central station remains to be seen, but whether it be now or later, the time is bound to arrive when the tunnel site becomes the Union station of the city—not only for main line long-distance traffic but also for suburban rapid-transit trains.

"If it be granted that a joint terminus is desirable, then there can be no question about the tunnel site being the best, seeing that it is the only one yet produced affording direct access from all sides. Nothing that can be done at Windsor street will allow of equal facilities to the public, and it is maintained that anything short of the best possible is not good enough for a city of the importance of Montreal.

"This site affords possibilities of union terminal facilities which cannot be given at any other place, and it seems highly desirable that advantage be taken of this opportunity of concentrating passenger traffic.

"The purpose for which these two belated proposals are submitted is not understood. There is nothing to recommend one or the other, and it is obvious that they are 'compromise' suggestions, in which the true needs of Montreal are sacrificed to vested interests. The only lesson to be learned from them is that if they represent the best that can be devised as alternatives thereto, the tunnel proposal stands without a real competitor."

Those are extracts from Sir Frederick Palmer's report.

Mr. HOWDEN: Could we have the proposed site on the map?

Mr. FAIRWEATHER: Yes, it is on that map, but there is another map which shows it in detail.

Mr. WALSH: Will you point out the Windsor street station. I want the members to note that there is not such a tremendous difference in distance between the Canadian National tunnel site and the Windsor street station as was suggested in the report. It is actually only two blocks. You start at Windsor street.

Mr. ARMSTRONG: This is merely a diagram and is not drawn to scale.

Mr. WALSH: Anybody landing at Windsor street station can almost look down upon the tunnel station.

Mr. FAIRWEATHER: Mr. Armstrong, will you point out on the map the pertinent facts of the terminal plan so far as it relates to the central station and the approaches thereto. The station itself will be located just south of Dorchester street.

Mr. ARMSTRONG: This plan shows from Dorchester street to Victoria bridge.

Mr. WALSH: Is the connecting line a new line?

Mr. ARMSTRONG: Yes, elevated; it is part of the viaduct. The viaduct divides into two parts at this point.

Mr. WALSH: When you get back on your main line do you cross the Lachine canal?

Mr. ARMSTRONG: Yes.

Mr. WALSH: Then you cross it again?

Mr. ARMSTRONG: This is the present—

The CHAIRMAN: Will you describe that again?

Mr. ARMSTRONG: (Indicating on Plan) This is the central terminal area with the station south of Dorchester street. This is Belmont street; the extension is to be put through. Then Lagachetiere street, St. Antoine street and St. James street; there is an elevated viaduct crossing all these streets. The grades are separated. This is the new viaduct leading from the central station to Victoria bridge. This connection here is also elevated to connect the viaduct and the existing main line from St. Henri to Victoria bridge.

Mr. DEACHMAN: Will you trace that line from Ottawa?

Mr. ARMSTRONG: The line from Ottawa is through Coteau, Turcot yards, St. Henri into Bonaventure station.

Mr. WALSH: I want the committee to notice that on the line he has just traced there are no crossings of the Lachine canal. Now, trace the new line, the proposed line going from Ottawa to Montreal. One will cross the Lachine canal and the second crosses the Lachine canal, and is it not going to take you longer to get your trains in?

Mr. ARMSTRONG: For the present that is the plan.

Mr. WALSH: We all know the difficulty of putting trains across the Lachine canal, and at the present time they are not crossing it, and with your new proposal you are going to cross it twice. It is going to interfere with the traffic on the Lachine canal seriously. It severely interferes with your faster trains from the west.

Mr. ARMSTRONG: I think that Mr. Fairweather will give you something on the crossings.

Mr. FAIRWEATHER: The question, I take it, is that the proposal to route the Canadian National trains which cross the Ottawa river at St. Annes into the new central terminal will lead to delays both to railway and canal traffic by reason of the fact that those trains will cross the canal twice whereas they do not now cross the canal at all. Is that the question?

Mr. WALSH: Yes.

Mr. FAIRWEATHER: Of course, that situation is one which was carefully examined before we considered adopting that particular type of entrance as an alternative to the other entrance which could be made north of the mountain. Careful observations were made as to the interference which takes place on the trains which now cross the canal at or near St. Henri and also to the interference which takes place on the Montreal and Southern Counties trains down at this end of the canal (Black's Bridge). Observations were taken to find out what that interference would amount to in terms of railway traffic and also in terms of canal traffic, and it is my judgment, based upon that study made under my own direction, that this particular objection to the terminal plan is one that looms large when you talk about it but when you get down to brass tacks—

Mr. WALSH: Does it not loom large as a factor—not as a talking factor but as a real economic factor?

Mr. FAIRWEATHER: I am speaking as one who has made a study of the situation.

Mr. WALSH: Your suggestion was—

Mr. FAIRWEATHER: I repeat that after careful investigation it developed that the interference which might be considered as serious has not turned out to be so serious. Now, as a matter of fact, the common impression is that most of the trains reach Montreal from the west. That is far from being true. There are a great many more trains on the Canadian National which reach Montreal by crossing the St. Lawrence river, including the Montreal and Southern Counties railway, and every one of those trains has to cross the Lachine canal now. The actual increased burden that is placed upon the canal crossing does not amount to very much when you look at it in the perspective of all the traffic.

Mr. WALSH: What are the relative figures in connection with that statement?

Mr. FAIRWEATHER: When we talk of the crossings of the canal I would say they would be probably in the ratio of about one to six.

Mr. WALSH: Six trains from the south against one from the west.

Mr. FAIRWEATHER: Six crossings of the canal from the Victoria bridge end to one that would be added at St. Henri by this particular move. The reason for this is as I said that there are more trains crossing the St. Lawrence river at Victoria bridge than there are at St. Anne's. That is true because of the Montreal and the Southern Counties.

Mr. WALSH: Does that include the Montreal and Southern Counties?

Mr. FAIRWEATHER: Yes.

Mr. WALSH: Montreal, St. Lambert, and so on.

Mr. FAIRWEATHER: Yes, but they are all crossings. Now, there are also, from an engineering standpoint, certain alleviating features. The present crossing of the canal by the Montreal and Southern Counties railways is by a swing bridge, and it is slow, whereas the crossing of the canal which is proposed is going to be by means of the most modern type of lift bridge which will minimize the time of interference of trains and canal carriers. I am satisfied, after having made a careful study of it, that at the present volume of traffic there will be no noticeable interference to trains arriving and departing in the central station. It must be kept in mind, too, that for five months of the year there is no interference whatever because the canal is frozen up, and also that for a period in the spring when the canal is officially open the traffic on it is very light, so that the actual time at which this interference might be considered to be serious, when you spread it over the year, does not constitute a serious factor. And again I want to emphasize that after a careful and detailed study of these canal crossings it is my considered judgment that canal carriers are not going to find their traffic interfered with materially and passengers arriving and departing by the Canadian National railway terminal are not going to be seriously interfered with either. Many of you who have come into Montreal on the Maritime Express or the Ocean Limited or by any train on the Canadian National railway that brought you into the city from south of the St. Lawrence river—did you suffer any noticeable delay at the canal? It is one of those things where we have facilities, transportation facilities, which to a degree come in conflict, and it needs a certain amount of intelligent control, signalling apparatus and mutual accommodations. I do submit that the Canadian National Railways would never think for one moment of subjecting its passenger traffic to a serious delay by these canal crossings, and it was for that reason that the idea was very carefully examined; and I do submit that the result of a careful examination like that, based upon the experience of the Canadian National in this canal crossing situation, is something that needs to be given consideration.

Of course, I have qualified—I want to qualify my statement by saying that if passenger traffic, and particularly if the freight traffic increases to a point where the capacity of that line of railway (between St. Henri and Victoria

Bridge) becomes taxed, that is the double track line of railway crossing the canal at St. Henri—if the freight business—it is not alone the passenger question—but if the freight business on that line becomes of such a volume that there is interference between freight and passenger movement, then something will have to be done about it. There are alternative entrances into the central station for trains from St. Anne's. If we refer to this other map showing the original terminal plan contemplated, the cut-off, as Mr. Armstrong has pointed out, it will take the trains right into the central terminal. That cut-off was part of the larger terminal plan before it was changed to this modified basis. Much of that right-of-way for that line is owned by the Canadian National. The construction of it as an outer belt line, if and when the capacity of the other line is taxed, is entirely feasible and can be carried out without a large expense.

Mr. YOUNG: What is the length of that little green line between the two red lines?

Mr. FAIRWEATHER: That cut-off across there?

Mr. YOUNG: Yes.

Mr. FAIRWEATHER: About six miles.

Mr. DEACHMAN: Would it be satisfactory to operate a railway like that with heavy traffic through a tunnel?

Mr. FAIRWEATHER: Now, with regard to that I think it would be entirely satisfactory for any volume of traffic, including the interurban traffic to the north that is possible of development for a long time to come. The capacity of a double track line is really very great, and this is a double track tunnel. Moreover the tunnel is divided up into signalling sections so that one train can come out after another with complete safety because the locomotives will be automatically interlocked. The capacity of the tunnel is very high. I would say that I cannot in the future see any possibility within any time that we talk about of the capacity of that tunnel being exceeded by the Canadian National Railways. Of course, there is another alternative method of coming in north of the station.

Mr. YOUNG: What is the length of that tunnel?

Mr. FAIRWEATHER: About three and one-half miles.

Mr. YOUNG: Can you operate steam trains there?

Mr. FAIRWEATHER: No, it is all electric. Now, if as I say, the line crossing the Lachine canal at St. Henri should become congested by reason of interference with freight and passenger traffic, and if it were not considered desirable to build a belt line, there are two other alternative methods of getting into the station. That is the beauty of this central station location—the ease with which it can be reached. Will you point out, Mr. Armstrong, the Lachine, Jacques Cartier and Maisonneuve railway, and point out how a train from the west coming over that line could get into the tunnel?

Mr. ARMSTRONG: (indicates with pointer).

Mr. WALSH: That is taking right-of-way from the Canadian Pacific.

Mr. FAIRWEATHER: No, that is Canadian National—the Lachine, Jacques Cartier, Maisonneuve railway.

Mr. WALSH: But from Dorval.

Mr. FAIRWEATHER: Oh, between Dorval and Ballantyne, yes, that is quite true that it would mean running rights there. The other way would be to take trackage rights from the Canadian Pacific railway from Dorval and come in around the back of the mountain into the tunnel. If, as I say, freight and passenger traffic should get to the point where it would tax the canal crossing at St. Henri it is entirely feasible to get into the tunnel from the north, and it is relatively inexpensive. I would like to say also in connection with this canal crossing that the removal of the Montreal and Southern Counties trains

from the swing bridge to the new bridge, is going to make an improvement in the internal movements in Montreal between the canal crossing and the terminal.

Mr. YOUNG: Under the original proposition was it not intended that a train going to Ottawa would go through the tunnel?

Mr. FAIRWEATHER: Well, originally it was proposed that way, but a careful study of the situation indicated that the amount of money represented in that connection could be saved by bringing the trains through St. Henri and then through Point St. Charles and into the new station area.

Hon. Mr. HOWE: Of course, only passenger trains would come in that way; the freight trains would come as now.

Mr. FAIRWEATHER: The freight would be undisturbed just the passenger trains.

2. Geographical Location.

A union station, if it is to serve the true needs of a large city, must be convenient of access to all lines of railway which converge on the city. Windsor Street station does not meet this requirement for Montreal. It affords direct access from only one direction. In all other directions, trains must make detours in order to reach it. As compared with this, the Canadian National central terminal is remarkable in that all railways which approach Montreal from the south and east of the St. Lawrence can be brought to a single point of concentration at Victoria bridge and, similarly, all trains from the north and west can be brought to a point of concentration north of the Mountain.

I think, Mr. Armstrong, that is sufficiently important to be pointed out on the map. Everything that approaches Montreal from the south can be brought to a focus at the Victoria bridge, and that applies as well to the trains of the Canadian National and the Canadian Pacific—a connection at St. Johns, Quebec, would enable the Canadian Pacific trains to be routed in over the Victoria bridge.

Mr. DEACHMAN: Where do those C.P.R. trains to the maritimes go out?

Mr. FAIRWEATHER: They leave Windsor station, cross the canal at Lachine, cross the St. Lawrence, skirt around Laprairie basin and cross the Canadian National line at St. Johns.

Mr. DEACHMAN: Then take the C.P.R. line to Quebec, where does it run?

Mr. ARMSTRONG: (Indicating on plan) The C.P.R. train to Quebec either leaves the Place Viger station here, then to Park avenue and then to Quebec or from Windsor Street through Montreal West, St. Luc junction, Park avenue to Quebec. To reach Windsor Street station it has to run around the city, whereas the same train to reach the Canadian National central station can come right in without using that round-about route.

Mr. FAIRWEATHER: The Mount Royal Tunnel and the viaduct connecting it with the Victoria bridge afford the shortest possible link between these two points of concentration.

And that is the nub of the Canadian National terminal plan: the fact that you have these two natural points of concentration and you have the ability to put a link straight across the city by tunnel and viaduct without disturbing the city streets. It is really a unique sort of opportunity.

The location of the station at Dorchester street approximately at the middle point of this connecting link, permits trains of all railways converging on Montreal to enter the heart of the city directly instead of in a round-about manner.

Mr. Armstrong has indicated some of those round-about routes.

Sir Frederick Palmer contemplated Canadian Pacific trains reaching the central station by means of a tunnel. This, however, is only one method by which trains now using Windsor Street Station could be brought into the central station. Alternative connections at St. Johns, Quebec, and at the north portal of the Mount Royal tunnel would be considerably cheaper than a tunnel connecting the Canadian Pacific and the Canadian National Railways.

A table of the comparative distances from various points of approach to Windsor street and the central terminal shows the superiority of the central passenger terminal, as compared with Windsor street.

Direction	Distance to C.N.R. Terminal Station Shorter or Longer than to Windsor St. Station	
	Miles Shorter	Miles Longer
East and South of St. Lawrence River—		
C.N.R.—Maritime, Sherbrooke, Portland, Me.	22.3*	
Boston and New York.	6.4*	
C.P.R.—Maritimes, Sherbrooke, Boston	6.4*	
New York . . . . .	....	2-3
West and North of St. Lawrence River—		
C.N.R.—Quebec	6.4	
Laurentian Mountain Points	6.8	
Ottawa, Toronto and West . . . . .	....	2.1
C.P.R.—Quebec	6.4	
Laurentian Mountain Points and Ottawa (North Shore)	6.4	
Ottawa, Toronto and West . . . . .	....	2.1

* These figures are based upon the use of existing railway routes to Windsor Street. If a viaduct were constructed from St. Henri to Windsor Street the figure would be 1.7 miles in each case.

For instance, take the trains of the Canadian Pacific Railways from the maritime provinces. They come in—

Mr. ARMSTRONG: (Indicating on plan) Through St. Lambert, Brosseau, Delson, Adirondack junction, Montreal West to Windsor station, as compared with the C.N.R. route through St. Lambert, via Victoria bridge and the new viaduct to the new terminal. That is about 22.3 miles further into Windsor station than it is into the central terminal from St. Lambert.

Now, indicate the route of trains from Boston and New York: they come through St. Johns, Brosseau, St. Lambert, the Victoria bridge and the viaduct to the new terminal as compared, in the case of the C.P.R. with St. Johns, Delson, Adirondack junction, Montreal West and Windsor station. That is 6.4 miles further into Windsor station than it is into the new terminal.

Mr. FAIRWEATHER: Indicate the C.P.R. through Sherbrooke and Boston?

Mr. ARMSTRONG: It is the same route from St. Johns into Windsor street station as for New York and Boston trains, and the saving would be the same, 6.4 miles, by using the central terminal.

Mr. FAIRWEATHER: Now, take the Canadian National line from Quebec. To the new terminal via L'Epiphanie.

Mr. ARMSTRONG: To get into Windsor street station from the junction at L'Epiphanie you would have to go through a junction at L'Epiphanie, St. Martin junction, Park avenue, Montreal West to Windsor street, as compared with, in the case of the C.N.R., from L'Epiphanie to St. Martin junction, through Jacques Cartier junction and Eastern junction into the new terminal; or via Jacques Cartier junction through Park avenue, north tunnel Portal—into the new terminal. The saving in distance is 6.4 miles, by using the central station.

Mr. FAIRWEATHER: Then indicate the routes into the Laurentians.

Mr. ARMSTRONG: From the Laurentians: the Canadian National route is through St. Eustache, eastern junction, directly through the tunnel to the new terminal, whereas in the case of the C.P.R. to Windsor street it is St. Eustache, eastern junction, a connection at Ballantyne, Montreal west to Windsor station. There is a saving of 6.8 miles using the Central station.

Mr. FAIRWEATHER: Then take the C.P.R. trains from Quebec. They show the same saving as the Canadian National trains, namely 6.4 miles; and the same is true of the C.P.R. Laurentian trains.

Mr. ARMSTRONG: The Laurentians, yes.

Mr. FAIRWEATHER: Everything from the north will show a saving of 6.4 miles to 6.8 miles coming into the new tunnel as compared with Windsor street. Now, take the Delaware and Hudson from New York.

Mr. ARMSTRONG: The D. & H. now routes through Rouse's Point, Delson, Adirondack junction, and Montreal west to Windsor street. The alternative route would be through St. Johns and into our terminal.

Mr. FAIRWEATHER: I think that will give you an idea of the various routes that are available into the central station area and into Windsor station, and indicates that for the majority of trains coming into the terminal the distance is considerably shorter to the new station at Dorchester street than it would be to Windsor station.

Mr. WALSH: Could you point out the route using Place Viger station as a union station, as a nice short run to the city of Quebec?

Mr. ARMSTRONG: Assuming Moreau street trains used Place Viger, the route would be this route (indicating).

Mr. YOUNG: Why not the red route?

Mr. WALSH: I am taking a proposed route that would cut off at least one hour or an hour and a half on our trip to Quebec.

Mr. FAIRWEATHER: I think that is an over-estimate.

Mr. WALSH: I have heard it mentioned so frequently that I would like to have it checked up. It aroused my enthusiasm.

Mr. FAIRWEATHER: It is a little over-estimated. I would like to say about that situation—you see the red line running out of Bout de L'Ile.

Mr. ARMSTRONG: From Moreau street to Bout de L'Ile.

Mr. FAIRWEATHER: You see the blue line running from Place Viger station east and then north. It is undoubtedly true that the route from Place Viger via the Canadian National to L'Epiphanie is shorter than the other route.

Mr. VIEN: By how much?

Mr. FAIRWEATHER: I think it is about fifteen miles. In running time it would be about twenty-five minutes, I suppose.

Mr. VIEN: What about the grade between Montreal and St. Martin junction?

Mr. FAIRWEATHER: The grades do not bother the passenger trains. What I am coming to is this. It really is not possible to get passengers from that red line into Place Viger station unless and until costly viaducts are constructed along the red line there or parallel to it at Longue Pointe. At one time the Canadian National and the Canadian Pacific had seriously under discussion this very proposal, and when the city of Montreal was approached with the idea of allowing that viaduct to be built or completed—known as the Rouen street line—the consent of the city could not be obtained and that line, I believe, is now being demolished. Now, there are one or two ways of getting that red line (C.N.R.) into Place Viger station.

Mr. YOUNG: How far are they apart now?

Mr. FAIRWEATHER: I do not think it is more than, perhaps, a mile.

Now, as to what I said: I said that for passenger trains it is difficult to get a connection; of course, there is a freight connection now. But there are two ways you can do it—at least, that you cannot do it; one is to attempt to go down over the harbour commissioners' track from Longue Pointe with a track running over the harbour commissioners' into Place Viger. That was investigated, but owing to the fact that the harbour commissioners' tracks are so used for harbour service it was not considered advisable to use that route. Another alternative would be to try to use the freight connection which exists between Moreau street and the Canadian Pacific facilities by using some of the yard tracks; that was looked into and it is physically possible to do it, but if you do it you are going to create a serious grade-crossing problem running passenger trains over those streets; you would be maintaining and aggravating a situation that is now there, by so doing. But as part of a large plan a satisfactory scheme could be worked out. I am simply detailing this thing which was seriously under consideration at that time. A viaduct was suggested, but the city would not have it. The thing was dropped when the attempt to use the harbour commissioners' track proved abortive and an attempt to develop a connection through the yard tracks of the Canadian National and the Canadian Pacific railways was not considered to be feasible; but, as I say, again it is a matter of dollars and cents.

Mr. WALSH: Your present plan contemplates continuing in use your present Moreau street station, it would continue to be a factor in your system?

Mr. FAIRWEATHER: As I pointed out, it is possible to take running rights over the Canadian Pacific railway from L'Epiphanie through St. Martin junction into our new terminal.

Mr. VIEN: Is that intended?

Mr. FAIRWEATHER: That is under consideration, yes.

Mr. WALSH: Mr. Fairweather mentioned Sir Frederick Palmer's name, that he was selected by the government?

Mr. FAIRWEATHER: Yes, sir.

Mr. WALSH: Was he selected by the government or by the Minister of Railways at that time?

Mr. FAIRWEATHER: Well, I may be in error there; certainly as far as we are concerned he came to us as a representative appointed by the government.

Mr. WALSH: What I wanted to get is this; if he was selected by the government I would like to have a copy of the Order in Council; if he was selected by the Minister of Railways I would like to have a copy of the letter of the Minister of Railways authorizing or recognizing his appointment.

Mr. VIEN: I think we find his instructions in this material before us.

Mr. WALSH: It is not there. I have not been able to find it.

Mr. VIEN: It hardly matters under whose instructions he acted.

Mr. FAIRWEATHER: In any event, that inquiry could hardly be directed to the Canadian National. As far as we are concerned he came to us accredited from the department of the government to whom we report.

Mr. WALSH: Yes, but he is put before us as an independent gentleman who is called in to study this plan. Now, can we recognize him as an independent consultant, or was he acting with the Canadian National officials to prepare that report that would lead to the tunnel station?

Mr. FAIRWEATHER: Oh, decidedly not. When Sir Frederick Palmer undertook his study I was one of those who contacted him, and if anybody had any idea that Sir Frederick Palmer did not make a searching study of the terminal situation in Montreal, he is very wrong. He was a very difficult man to satisfy.

Hon. Mr. HOWE: I might say that engineers are peculiar people, no matter who retains them they report according to their findings; and Sir Frederick Palmer was a determined man and an eminent engineer.

Mr. WALSH: I recognize his authority at the same time, no matter what his reputation might be, if he is under the command of a certain body as against another body naturally even an engineer is influenced by those for whom he is acting.

Mr. DEACHMAN: Are you implying that he was instructed that a certain job was to be put across there?

Mr. VIEN: Sir Frederick had been retained by the government in respect to the terminal of the Hudson bay railway. He was on his way back to England when this question was being studied by the Board of Railway Commissioners, and the minister, then the Hon. Mr. Dunning, retained him in Ottawa and Montreal to make a report on the situation. I think it will be easy to find in the Department of Railways and Canals instructions which were given to Sir Frederick Palmer at that time. He had been retained by the government through the Minister of Railways and Canals to make a report, as they sought to take advantage of his being in Canada to have the benefit of his views on the subject. Whether it was by Order in Council or by direction of the minister I do not believe it is material.

Mr. WALSH: There should be no objection to our having that information.

The CHAIRMAN: The minister has stated that he is going to make an inquiry in the department and report to us as a committee.

Mr. WALSH: Are we going to take this report up page by page or are we going to stay with the tunnel terminal until we are through with that?

The CHAIRMAN: I think we had better let Mr. Fairweather finish his statement. He is not quite through yet.

Mr. WALSH: He is not through? I thought he was.

Mr. FAIRWEATHER (continuing):

(3) *Convenience of Street Access*

Convenient street access to a large passenger station is very important. It is well known that the situation at Windsor street station is poor in that regard. It is situated on a steep side hill. St. Antoine street, which flanks it on the south, is comparatively useless, and the same is true of Windsor street on account of its steepness. This forces practically all vehicular access to the station on Osborne street, which is not a through street and is very narrow.

In contrast to this, the central terminal development provides for two new north and south street approaches which with connecting ramps will furnish vehicular access at each end and each side of the station and provide several outlets connecting with the main traffic arteries of the city to avoid congestion. Another point to be considered is that the pedestrian and street car approaches to the central station are segregated from the vehicular approaches which action also avoids congestion. That is, at the new station the vehicular approach to the station is separate from the passenger approach. They do not use the same entrances.

Study of population trends in Montreal shows quite clearly that the centre of population is moving east and north. Since the central terminal is north east of Bonaventure and Windsor street stations, a movement to a union station at the central station would be a move in the direction of the population trend. The centre of the hotel and retail sections of the city is closer to the central terminal than to Windsor street.

(4) *Development of Building Sites on the Station Area*

This is a factor of great economic importance in a long term view of a terminal development in a large city. A passenger station, to be of maximum use to the city, must be located near the centre of the retail and hotel sections, but the cost of an area of sufficient size for a railway terminal in such a location, and of approach tracks, will be very great unless the terminal is so designed that commercial buildings can be constructed over the railway facilities, by which means substantial ground rents for overhead rights can be developed. Windsor street station is not suited by location for such development, while the central station area is eminently suited for it.

(5) *Inadequacy of Windsor Street Station*

Windsor street station, while adequate for Canadian Pacific train service, is not large enough to accommodate all trains which enter and leave Montreal. The inadequacy of the station consists not only in the lack of capacity of the station tracks, but also in a lack of capacity of the approach tracks, coach yard and engine house facilities at Westmount, and express, baggage and mail facilities.

Owing to the side hill construction of Windsor street station, the enlargement of the track capacity would be a very expensive undertaking. To the south an expensive viaduct construction would be necessary; to the north it would be necessary to abandon Osborne street in its present location and reconstruct it further north, and this leads to complications in the Guy street and Mountain street subways. To obtain adequate capacity of approach tracks, another track at least would have to be constructed from the station as far as Westmount and two additional tracks from Westmount to Montreal West, at which point new and enlarged coach yard and engine house facilities would have to be constructed, the reason being that the Westmount facility cannot be enlarged. The additional lines to Westmount and Montreal West with the attendant grade separations would be expensive.

In addition, however, if Windsor street station is to be used, the question of an approach from the Victoria bridge has to be considered. This approach would, of necessity, take the form of an expensive high level viaduct running from St. Henri on a steep grade. Canadian National trains from the south and east could reach Windsor street station without such a viaduct. Trains from New York could be diverted at St. Johns, Que., on Canadian Pacific trackage and routed via the Lachine bridge and Montreal West, and trains from the Maritimes might be diverted over the Quebec bridge and thence over Canadian Pacific trackage on the north shore. Other Canadian National trains serving points south and east could be diverted at St. Lambert and sent around via the Lachine bridge; but all these expedients, while saving the expenditure of viaduct construction, would add from $6\frac{1}{2}$ to 22 miles on all such train movement, and would lengthen running times of trains as much as 45 minutes. Also, if the Maritime trains should be routed over the Quebec bridge, it would be necessary to supply substitute train service on the south shore of the St. Lawrence between Levis and Montreal, so that not only would there be slower and less adequate service, but operating costs for additional train mileage run would be very substantial and would be the equivalent of a large capital sum.

It is certain that more money would have to be expended on Windsor street station, including tracks, approaches, coach yard, engine facilities, express, baggage and mail facilities, to accommodate Canadian National trains, than the additional funds now required to be expended on the central terminal to accommodate Canadian National trains.

Mr. WALSH: You are making that statement on your own authority?

Mr. FAIRWEATHER: I am making it on the authority of a study that has been made of the situation.

Mr. WALSH: Yes, but there are other people who have made the same study and have come to a quite different conclusion.

Mr. FAIRWEATHER: My authority is the study I mentioned.

Mr. WALSH: I have their statement here.

The CHAIRMAN: Mr. Walsh, will you allow Mr. Fairweather to complete his statement, then we will come back to that afterwards. Go on, Mr. Fairweather.

Mr. WALSH: I did not want to get away from the point altogether.

The CHAIRMAN: No, but we will go back to it.

Mr. FAIRWEATHER: (continuing):

A consideration of these factors demonstrates that if a union station is to be provided for Montreal, the only logical location for it is at the central terminal site.

It is, however, by no means clearly established that a union station is a necessity for Montreal at the present time, and under present conditions, however desirable a union station may be as an ultimate objective in the development of the city. What is clearly established at the present time is that the Canadian National Railways and the city are both suffering from the disjointed nature of the Canadian National facilities, both freight and passenger, and from the existing stations and facilities, which are, for the most part, old and obsolete; also that there is in connection with the existing Canadian National facilities a serious grade separation problem. Sir Frederick Palmer clearly recognized this situation, and states in his report:—

“Whatever may be the ultimate decision in regard to the concentration of all Montreal main line passenger service at the tunnel station, there can be no two views about the desirability of, indeed the necessity for, grouping all C.N.R. trains at this place”

“It is absolutely necessary to provide suitable passenger station accommodation for the Canadian National Railways to replace the obsolete buildings now in use.”

“The tunnel site affords by far the best means of developing this necessity”

It is also an established fact that the Canadian National terminal plan is half completed along lines which solve the grade crossing problem, co-ordinate the Canadian National terminals, and conform to the requirement of being readily adaptable to a union station at the best possible site. In short, the best thing to be done is quite plainly to finish the half completed Canadian National terminal. This will co-ordinate the Canadian National terminals with benefit both to the railway and the city. The plan is excellently designed to serve the requirements of the Canadian National Railways and is readily adaptable to a union station. The expenditure of large sums of money on Windsor street station and approaches thereto is not a reasonable solution of the problem.

From an engineering standpoint, less money need be expended on the Canadian National plan to meet Canadian National requirements for co-ordination of its terminals than would be needed to effect only a partial co-ordination of Canadian National facilities based on Windsor street station.

From a traffic standpoint, there is no pressing necessity for a union station in Montreal, the interchange of passengers, mail, baggage and express between the existing Canadian National stations, as a group, and the Canadian Pacific stations, as a group, being of small proportions.

From a street traffic standpoint, the Montreal terminal development improves the north and south arteries of the city, segregating pedestrian from street car and vehicular approaches to the station, gives direct access to the retail and hotel sections of the city and provides an opportunity for commercial building over the terminal site. On the other hand, Windsor street station possesses none of these advantages and would add to street congestion.

From the standpoint of future requirements, the central terminal site is pre-eminent suited for a union station while Windsor street station could never properly be so designated.

The conclusion is inescapable, that the best interests of the Canadian National Railways and of the city would be served by the completion of the Montreal terminals on a modified plan to meet the present requirements of the Canadian National, and in such a manner that they could be readily adapted to use as a union station.

That is the end of it.

Mr. DEACHMAN: In your opinion would there be any material economy and efficiency in handling the freight in Montreal by the use of this terminal?

Mr. FAIRWEATHER: Oh, yes.

Mr. DEACHMAN: Could you give us an idea of any savings that would be possible, and what exactly the advantages would be?

Mr. FAIRWEATHER: I touched on that question in my memorandum; that our freight facilities in Montreal are cramped, and there is an opportunity for a very substantial improvement by re-arrangement. But we cannot begin to re-arrange your freight facilities until you get rid of your passenger facilities, because they are all mixed together; and consequently when you get rid of your passenger problem by terminal development it will enable you to turn your attention to the freight lay-out; and when you do that you are going to get economies that are really of a very substantial nature.

The CHAIRMAN: Mr. Deachman, before we go on with this discussion of this memorandum read by Mr. Fairweather I would like to finish first of all with the report of the Canadian National, and then we will go on with the discussion of the special report when we are through with that. Have you gentlemen any further remarks on the other part of the report, excepting the Montreal terminal?

Mr. WALSH: Yes. On page 4 of the report, the very opening figures, operating revenues and operating expenses; we notice a decrease of \$4,613,546.31 in the operating expenses of the railway; and it is suggested further down that this was carried out by holding such costs to a minimum. Now, there is a decline from \$16,154,886 in the operating revenue. Would the management consider that the decrease in operating revenues would in any way decrease operating costs? Is the fact that the operating costs are down due altogether to the fact that very careful business management was applied?

Mr. HUNGERFORD: Well, Mr. Walsh, reduction in traffic automatically reduces expenses to a certain degree, but the reduction from that point of view would not equal the total reduction that was effected, by a long long way.

Mr. WALSH: I see, but it would affect it to a certain extent?

Mr. HUNGERFORD: Quite.

Mr. WALSH: And further down you have suggested that 25 per cent of the reduction in maintenance and equipment forces, referred to at the bottom of

page 4, "subsequently and concurrently with the decline." Now, at the beginning of the paragraph, "operating revenues": "The decline in general business activity in the latter part of 1937 . . . continued throughout the latter part of 1938", and yet we did not get this 25 per cent reduction in the maintenance and equipment forces put into effect until well on in 1938—"subsequently and concurrently."

Mr. HUNGERFORD: That is quite true, Mr. Walsh. That was in pursuance of the policy that was decided upon to place a larger number of locomotives and cars in serviceable condition. That program was carried through the year 1937 and it was continued for the first three or four months of 1938.

Mr. WALSH: Then you have put into effect a 25 per cent decrease in 1938, but not soon enough to help out the situation as far as operating losses were concerned?

Mr. HUNGERFORD: As I said before, we were pursuing a program designed and intended to place more locomotives and cars in serviceable condition. That program was begun at the beginning of 1937, and during that period of time, on account of the restoration of the wage rate, the average wage was working up; that was one factor in getting the work done before the full restoration was in effect, and that would mean that we should get the work done at a slightly less cost. But over and above that it was that we did not have nearly as many cars and locomotives in serviceable condition as we should have had to take care of future requirements.

Mr. WALSH: You have now, is that right?

Mr. HUNGERFORD: Yes.

Mr. WALSH: And the paragraph at the top of page 5: "While maintenance and extensions have been kept to a minimum, the property and equipment is in good condition having regard to the volume of business to be handled". That is the volume of business at present, and what you might anticipate in the near future?

Mr. HUNGERFORD: As far as one can anticipate, that is the condition.

Mr. WALSH: Then, in connection with the hotels, there is an increase of \$25,927 in the operating income. If I remember rightly I filed a question that might have answered these things that I wanted to get; what was the average rate of return on hotel investments for this past year? Have you got that?

Mr. HUNGERFORD: I will see, Mr. Walsh.

Mr. FAIRWEATHER: We have here a tabulation, I think, Mr. Walsh, that answers your question.

Mr. WALSH: It is all there?

Mr. FAIRWEATHER: Yes.

Mr. WALSH: I can figure it out from that.

The CHAIRMAN: Just a moment, Mr. Walsh, do you want this read into the record? I think it would be advisable.

Mr. WALSH: I asked the question at the first meeting.

The CHAIRMAN: It might be as well to have it read into the record.

Mr. FAIRWEATHER: It is quite a long statement.

The CHAIRMAN: We will have it taken as read and it will be published in the record.

CANADIAN NATIONAL RAILWAYS

HOTEL OPERATION, YEAR ENDED DECEMBER 31, 1938

Hotel	Location	Capital cost to Dec. 31, 1938	Revenues	Expenses	Taxes	Net
		\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.
Chateau Laurier.....	Ottawa, Ont.....	8,673,307 68	1,158,537 84	927,958 88	62,285 45	168,293 51
Prince Arthur.....	Port Arthur, Ont.....	1,186,065 52	156,618 49	131,712 05	5,504 34	19,402 10
Minaki Lodge.....	Minaki, Ont.....	1,094,079 24	51,896 80	49,844 07	162 00	1,890 73
Fort Garry.....	Winnipeg, Man.....	2,906,934 23	346,474 81	338,583 13	26,305 18	18,413 60
Prince Edward.....	Brandon, Man.....	525,623 10	91,839 39	95,888 48	3,972 12	8,081 21
Macdonald.....	Edmonton, Alta.....	2,271,967 36	408,460 90	367,050 86	15,071 79	26,338 25
Jasper Park Lodge.....	Jasper Park, Alta.....	2,660,425 32	291,977 90	237,878 89	4,631 80	49,467 21
Bessborough.....	Saskatoon, Sask.....	3,567,459 62	224,206 88	246,970 60	1,692 87	24,466 59
Pictou Lodge.....	Pictou, N.S.....	199,456 21	17,382 88	16,746 86	305 00	331 02
Nova Scotia.....	Halifax, N.S.....	2,448,464 30	311,978 17	286,357 40	11,071 18	14,549 59
Canadian National.....	Charlottetown, P.E.I.....	857,579 45	85,299 94	85,029 82	3,637 48	3,367 36
TOTAL.....		26,391,362 38	3,144,674 00	2,784,021 04	134,639 21	226,013 75

Mr. WALSH: That will be quite sufficient. Could I ask Mr. Fairweather or Mr. Hungerford whether the hotel operating expense figure includes any charges for depreciation?

Mr. COOPER: No, we do not include depreciation in our hotels accounts.

Hon. Mr. HOWE: What about depreciation, isn't included?

Mr. COOPER: Not in connection with hotels.

Mr. WALSH: What are you going to do when one of these million dollar hotels become obsolete, or is no longer fit for use; are you going to rebuild it?

Mr. COOPER: So far as furniture and fixtures, equipment of every kind, is concerned, it is replaced as required and generally is maintained in first class condition. That all comes under operating expenses. There is no provision for obsolescence of the building itself. That is, the ultimate retirement of the building itself is not being provided for. We are providing from year to year through the operating expenses of the hotels for all the depreciation which is taking place, apart from the building itself; and that is being kept in very good condition. I think anybody who looks at any of our Canadian National hotels would be fully convinced of that.

Mr. WALSH: I am not objecting.

Mr. COOPER: I do not think you could fail to be impressed by the first-class condition in which they are being kept.

Mr. WALSH: That is beside the point. We have the report here and it indicates quite clearly that there has been absolutely nothing set aside for depreciation on buildings, or for replacement of the buildings; and that is a condition which you would not find with respect to any other type of business. In business if they erect a building they immediately commence an account that will cover the cost of that building in due course. I know when we erect public buildings, schools for instance—where most of my experience has been—we are compelled by law to set aside each year a certain amount of money so that when the bonds become due we have the money to meet those bonds, and the presumption is the building itself is no longer of any use and we have then to float bonds to re-erect that building. Now, you have nothing of that character in your account.

Mr. DEACHMAN: They do not have it with respect to the railways either.

Mr. WALSH: That is quite a different matter.

Mr. DEACHMAN: The question of obsolescence comes up there. There is no difference. You are saying that the hotels are becoming out of date. The railways are subject to the same condition.

Mr. WALSH: No, the railways are replaced from year to year.

Mr. DEACHMAN: And just in the same way these hotels are kept up to date.

Mr. WALSH: No, they are not. Do not confuse me. You get the idea; this is a business question with me, it is not a matter of quibbling.

Hon. Mr. HOWE: Assuming its desirability, do you think it is good business for us to increase the deficit just for the sake of building up a fund within the railway to take care of this item?

Mr. WALSH: I think the railway itself should do that.

Hon. Mr. HOWE: The railway does not earn enough to do it.

Mr. WALSH: They should not report an operating revenue here of \$226,014 without taking this factor into account. It would not be done in any ordinary business. In any ordinary business institution that would not be done. When you report a net you should have it after everything has been looked after. Here is one important item that is not looked after, depreciation on buildings.

Hon. Mr. HOWE: Why report a net on that, it goes into the general fund of the railway to cut down the general deficit that has to be met by the public. I think that is a good way to use it, don't you? Why should we build up a fund within the railway accounts to take care of an item of that kind when the deficit has to be met out of public funds in any event, why not use it to make up the deficit?

Mr. WALSH: I have quite a different point of view of the matter, and my view is this: this is a railway proposition and it is presumed to be run as a business institution the same as any other line of business would be run; regardless of where this deficit comes from. I heard a very apt expression at a sitting of the Senate committee, possibly the minister himself was there at the time, but mention was made to "picking grandpa's pocket".

Hon. Mr. HOWE: I was not there at the time.

Mr. WALSH: Here is the Canadian National railway report and in that there is no allowance for depreciation on buildings, or for replacement of buildings; and the minister excuses it on the ground that well, it is as broad as it is long, because the public pay no matter which way we do it, you would have to get more money from the public if you put aside a certain amount for depreciation. And now, that is one side of the picture, but the other side of the picture is quite different. This is a business institution and we have no right to expect the public of Canada to dig down into their pockets again for future losses. We have no right to expect that.

Hon. Mr. HOWE: Do you propose to ask the public to dig down in their pockets to build new hotels?

Mr. WALSH: It is just as if the minister and I were in the hotel business. If we build a hotel and operate that hotel one of the first things we would do when we commenced operation would be to start that type of account so that when our hotel got old and delapidated we would have the money with which to replace it. I think that is common-sense business practice. I do not see why in the same way the Canadian National does not adopt a business proposition of that kind. It is common sense. If it did that it would not now say to the public we have a net operating income of \$226,000 in connection with our hotels, it would probably show a deficit. And it is not giving the public a true picture, to go back to an expression which I used two years ago; it is not giving them an exact picture of the losses which we are sustaining in operating the Canadian National railways and other companies connected directly or indirectly with that organization. For instance, if I own shares in a company and I get an operating statement at the end of the year I expect that statement to reflect the true conditions of that company which I am interested in. I am a shareholder of the Canadian National Railways, and I expect

that they will give me a true and exact picture of the actual conditions that exist at the present time. And I do not consider that this statement is an exact picture, because it does not look after one item that I consider of tremendous importance in the conduct of any business enterprise.

The CHAIRMAN: Mr. Walsh, you have been told by Mr. Cooper that the expenses connected with the replacement of furniture, as well as repairs to buildings, were chargeable to this account.

Mr. KINLEY: Is that true?

Mr. COOPER: Yes.

Hon. Mr. HOWE: The replacement of furniture, crockery, carpets and furnishings, repairs to buildings and everything of that kind are all charged against operations.

Mr. KINLEY: Do you carry any insurance on these hotels?

Hon. Mr. HOWE: No.

Mr. DEACHMAN: Would you mind telling me what is the custom in connection with the C.P.R. with regard to their hotels; you are both familiar with that?

Mr. COOPER: With regard to depreciation the Canadian Pacific practice has changed in the last three years. If Mr. Walsh had asked this question three years ago I could have said that our practice was precisely similar to that of the Canadian Pacific. The Canadian Pacific up to date have accumulated 5 per cent, that is the total accumulated depreciation which they have set aside with respect to depreciation on their hotels.

Mr. WALSH: Don't you think it was a wise move on their part to do that?

Mr. DEACHMAN: Would you consider that ample, Mr. Walsh?

Mr. WALSH: No, it is not ample. I want Mr. Cooper who is as good a financial authority with respect to railway matters as there is in the Dominion of Canada, to see if it is not possible to put the C.N.R. on the same businesslike basis in respect to all hotels. Now, let me ask him a question—it is beside the point—how do you handle steamships?

Mr. COOPER: We do not include depreciation in our railway steamships accounts.

Mr. WALSH: You do not?

Mr. COOPER: No, and the Canadian Pacific do. You made the remark that our statement in your opinion is not a correct presentation of the situation. I must point out to the committee that the balance sheet carries a certificate setting out clearly our practice with respect to depreciation. We say what is our policy with respect to depreciation accounting; and if that is set out clearly on the balance sheet then there can be no question of the statement being misleading.

Mr. WALSH: Does it state clearly that there is no depreciation at all either with respect to the steamships or the hotels?

Mr. COOPER: I think so, yes.

Mr. WALSH: Where is that?

Mr. COOPER: You will see it on the balance sheet.

The CHAIRMAN: We will come to that point when we consider that part of the report.

Shall we adjourn to meet again at 4 o'clock this afternoon?

Some Hon. MEMBERS: Agreed.

The committee adjourned at 1:05 o'clock p.m. to meet again at 4:00 o'clock p.m. this day.

AFTERNOON SESSION

On resuming at 4 p.m.

The CHAIRMAN: Gentlemen, when we adjourned this morning we were dealing with hotels. I think our friend Mr. Walsh was asking certain questions. Are you through with that? You made your statement in full this morning, did you? You tried to fill us up, but you did not succeed.

Mr. WALSH: I gave a full statement.

The CHAIRMAN: Are there any other questions on the report itself, excepting the Montreal terminal? Mr. Deachman, I thought you had a question to ask this morning?

Mr. DEACHMAN: I think I had. I have some on the freight business. Are we back at the terminals?

The CHAIRMAN: No. We will take the terminals afterwards. If you have any questions dealing with the report, please ask them now.

Mr. WALSH: I want to ask a question on page 5 in connection with the ss. *Prince Henry*. On page 5 I notice the loss on sale of the ss. *Prince Henry* applicable to the expired service life of the vessel charged to income in 1938 amounted to \$668,195; and then on page 18 there is another item of \$994,261 charged to proprietor's equity covering another portion of this loss. I am not a railway accountant, so I was wondering why part of the loss was charged to the one account and part to the other account. Could I have some kind of explanation that an ordinary mind could comprehend?

Mr. COOPER: Yes. It comes back to the question of depreciation accounting which we discussed this morning. The figure of \$668,000 represents the depreciation applicable to the period during which the ship was in service. In other words, had we been doing what you contend we should do—had we been accruing depreciation—this is the amount which would have been charged to operating expenses, on a depreciation basis, during the period the vessel was in service. Our practice is to provide for the loss at the time units of property are retired from service. Generally, we reach the same result as if we followed depreciation accounting. On the depreciation basis, the loss is amortized over the life of the property in more or less equal instalments. Under retirement accounting, the loss is all taken up at the time the property is retired. On the theory that had we followed depreciation accounting \$668,000 would have been charged to the steamship operating expenses; when the vessel was sold we took that amount up as an operating expense. The balance of the loss—which has nothing to do with the operation of the vessel; it is in consequence of a change in policy—in my opinion, is clearly a capital loss, and under the provisions of the Canadian National Revision Act, losses of that nature are required to be charged to proprietor's equity. I do not know whether that is a fair explanation or not. Have I made clear what the \$668,000 is?

Mr. WALSH: Yes. I can understand the \$668,000 would have been accumulated if you had been setting aside so much, year by year, when this vessel was in operation, from your income; you would have accrued that amount towards retiring it.

Mr. COOPER: We would have charged that amount to operating expenses.

Mr. WALSH: And the balance represents the difference between that and what you presume the life of the vessel would have been, or the balance of the cost of that vessel; is that it?

Mr. COOPER: It represents the loss which was accelerated when it was decided to sell the vessel in advance of the expiration of its normal life. This vessel, in the ordinary course of events, would probably have been in service for twenty-five years. Under the depreciation basis, allowing for salvage, we figure

about 3·6 per cent per annum would be the depreciation charge. It is only eight years since this boat was purchased, and eight times 3·6 per cent of the service value makes up \$668,000.

Mr. WALSH: What was the purchase price of the vessel? Would it be represented by the addition of those two figures, \$994,000 and \$668,000?

Mr. COOPER: No. The cost of the vessel was \$2,162,000 and we sold it for \$500,000.

Mr. WALSH: Oh, yes.

Mr. COOPER: We charged \$668,000 to expenses and the difference to proprietor's equity.

Mr. KINLEY: What is the age of the ship?

Mr. COOPER: It has been in service eight years.

Mr. KINLEY: Eight years?

Mr. COOPER: Yes.

Mr. KINLEY: There is another one, the *Prince William*, which I saw by the press was sold at a very small figure. What was that?

Mr. COOPER: That was a boat which was sold the previous year. It was not sold during 1938. It was a very small boat out on the Pacific coast. It was not the same type as the *Prince Henry*.

Mr. KINLEY: How big was she?

Mr. COOPER: I do not remember.

Mr. KINLEY: Was she 500 tons?

Mr. COOPER: I do not remember. It was a very small vessel.

Mr. WALSH: What are they doing with this vessel the *Prince Henry* now? What are the new owners doing with it? Are they operating it?

Mr. COOPER: They are operating it now, I think, between Miami and Nassau.

Mr. WALSH: As far as the C.N.R. is concerned, it was not profitable to keep that boat?

Mr. COOPER: No.

Mr. WALSH: It was better to take the loss and sell it at \$500,000?

Mr. COOPER: That was the decision of the management.

Mr. KINLEY: That is a matter of opinion.

Mr. HUNGERFORD: She will cruise through the West Indies during the winter, from Miami; and she will cruise down the gulf of St. Lawrence in the summer.

Mr. WALSH: She could not have been profitably operated?

Mr. HUNGERFORD: We thought not.

The CHAIRMAN: Is there anything else?

Mr. WALSH: I also notice on page 5 an item in connection with the cost of exchange. What is the reason for the increase of \$493,000 in the cost of exchange?

Mr. COOPER: Sterling was more expensive in 1938 than it was in 1937. In 1938 sterling averaged about \$4·96 to the £1.

Mr. DEACHMAN: What price?

Mr. COOPER: The average was 4·96. It varied from \$4·67 to \$5·02.

Mr. DEACHMAN: There is a difference in that to-day.

Mr. COOPER: Yes. It is below par to-day; but early in 1938 it was selling around \$5.

Mr. DEACHMAN: Yes.

Mr. COOPER: A large amount of our interest is payable, of course, in sterling; and it is rather expensive for us to find sterling funds to discharge our interest obligations.

Mr. DEACHMAN: What was the total cost of the Senneterre-Rouyn branch line?

The CHAIRMAN: \$5,000,000.

Mr. COOPER: It is shown on page 5 in the paragraph under capital expenditure account. The total cost as of December 31st was \$5,315,000.

Mr. DEACHMAN: Is that the entire cost of the road?

Mr. HUNGERFORD: No, not quite.

Mr. ARMSTRONG: \$220,000 will clear it up.

Mr. DEACHMAN: Is it a paying proposition?

Mr. HUNGERFORD: We think it will be.

Mr. KINLEY: Has he answered the question?

The CHAIRMAN: No; he is not through yet.

Mr. DEACHMAN: Yes, I am finished with that.

Mr. KINLEY: May I say with regard to these ships that are being sold from time to time, that I think it is a matter of importance to us who are on the coast. If you want to close a railway line, you have got to go to the railway commission and you have got to do all sorts of things. The public interest has to be considered. When you sell a ship, part of the assets of the railway, you consult nobody. There are fears in this country as to the effect of any such policy in regard to that in future.

The CHAIRMAN: If I recollect rightly, I think in 1935 the matter came up before the committee here, and we made a recommendation—on the recommendation of the staff of the C.N.R.—that this merchant marine be disposed of. I am under this impression that there was either an Act of parliament or an Order in Council which was passed directing that.

Mr. KINLEY: Certain ships in the merchant marine.

The CHAIRMAN: Yes, it was on Order in Council.

Mr. KINLEY: Do you mean to say there is a regulation—

Mr. SMART: This is not the merchant marine. The merchant marine is disposed of individually. This boat belongs to the C.N.R.

The CHAIRMAN: Mr. Kinley is asking if the disposal of the boat we have disposed of has been authorized by Order in Council.

Mr. SMART: Certainly; each one.

The CHAIRMAN: That is what I thought.

Mr. KINLEY: I want to bring this to the attention of the president of the railroad. The directorates are interlocked; that is, the railway and the boat directorates of the Canadian steamships are interlocking directorates. There is a question of enthusiasm, I suppose, in connection with the seagoing part of the effort. But down in the maritime provinces, in the past, a man in order to get a job had to go to sea. If we dispose of our merchant marine, what are our unemployed going to do? Because there is nothing that the men can do on the sea if we put all the boats into foreign hands. What are they going to do? There is nothing that they can do except go fishing or go on the sea. There was a time when Nova Scotia was a way out in the forefront in sea transportation. It is getting so now that there is nothing left but a few jobs on *Lady* boats.

Mr. COOPER: Of course, it was part of the arrangement that this vessel should be operated for cruises down the St. Lawrence every summer.

Mr. KINLEY: That is this *Prince* boat?

Mr. COOPER: Yes.

Mr. KINLEY: There is another *Prince* boat in Halifax not working at all. I understand there has been a proposition that that boat be put into commission in connection with the world's fair in New York.

Mr. HUNGERFORD: That is the *Prince David*.

Mr. KINLEY: I want to say that we are very much interested in the preservation of the seagoing people on the Atlantic coast. If you keep selling these boats, one of these days someone will get the notion of selling the *Lady* boats or something of that kind; and then as a seagoing people we will not be there at all. I saw in the *Financial Post* where the C.P.R., on one boat, had one Canadian. He was a ticket seller. The rest were all outsiders. Then they tell you that the young people of this country should be employed. I know that the president of the C.P.R. is interested in the unemployed and the young people, yet he runs a boat and does not hire any Canadians.

Mr. DEACHMAN: They cost too much.

Mr. KINLEY: How are people who live on shore going to work if they cannot go to sea? I do want to bring it to your attention that this is of vital interest to us who are on the shore.

Mr. DEACHMAN: It is a question of wages, is it not?

Mr. KINLEY: No; the boys on my shore will go to sea at any price. All they want is a start. They are not particular how much money they get, but they cannot get on at all.

Mr. HUNGERFORD: All the boats in the West Indian service are in regular use; but so far as the *Prince David* being tied up at Halifax is concerned, we have not been able to find an opportunity to use her profitably.

Mr. HANSON: Are not the employees on these boats mostly all Canadians?

Mr. HUNGERFORD: Mostly all Canadians.

Mr. MCKINNON: What would be the purpose of hiring somebody that was not a Canadian?

Mr. KINLEY: There is an agreement.

Mr. HUNGERFORD: I do not know whether it is a condition of the agreement, but we do employ some West Indians in the stewards' department. The regular crews are practically all Canadians.

Mr. DEACHMAN: There is a question I should like to ask, but I do not know whether it would be out of order, and that is in regard to maintenance of way and structures and maintenance of equipment. Would it be possible to have the operating ratios of these two items since the beginning of the depression in 1929?

Mr. ARMSTRONG: We could file a statement.

Mr. HUNGERFORD: I think we would have to file a statement on that.

Mr. DEACHMAN: Yes. My recollection of these ratios is that they are much higher on the C.N.R. than they are on the C.P.R.

Mr. HUNGERFORD: That comes into the old question of book-keeping.

Mr. DEACHMAN: It may be a question of book-keeping, sir, but it is also a question of cost. The money is there; it is spent.

Mr. HUNGERFORD: Yes, to a degree. It depends upon the requirements of the two systems and the policy in respect to maintenance at any given time.

Mr. DEACHMAN: In connection with the maintenance of way and structures, is that maintained to a higher standard than on the C.P.R.?

Mr. HUNGERFORD: I would not say that, because I do not know Canadian Pacific conditions.

Mr. DEACHMAN: Pardon?

Mr. HUNGERFORD: I do not know the conditions on the Canadian Pacific and I could not say that.

Mr. DEACHMAN: Would the comparative figures for the Canadian Pacific be available?

Mr. HUNGERFORD: I do not know that.

The CHAIRMAN: We have no means of forcing them in this committee to give any figures.

Mr. DEACHMAN: The figures are published.

Mr. SMART: They are not published in detail like the Canadian National Railway figures.

Mr. DEACHMAN: After all, we are interested in both railroads in Canada. Would it not be possible to have a comparative statement of the operations of the two roads? It would act more or less as a yard stick. You have it recorded, I think, in the Parker report, which some gentlemen will recall.

Mr. FAIRWEATHER: The figures are compiled and are published by the Dominion Bureau of Statistics, the figures with regard to the Canadian Pacific and the Canadian National. But one has to be very careful about making comparisons between the two systems because there are great differences between them and the raw figures do not tell the whole story.

Mr. DEACHMAN: You have a larger percentage of light traffic lines, have you not?

Mr. FAIRWEATHER: Yes.

Mr. DEACHMAN: And therefore on that basis alone—

Mr. FAIRWEATHER: That would mean that the operating ratio chargeable to maintenance of way and structures on the Canadian National would be higher than on the Canadian Pacific.

Mr. DEACHMAN: If you are measuring it, though, in dollars per mile of line it would not be?

Mr. FAIRWEATHER: Well, there again if you measure it in dollars per mile of line you have to take other things into consideration. Take, for instance, the fact that the Canadian Pacific Railway is an older railway on the average than the Canadian National and the physical structure of their property as expressed in rails, ties and ballast and steel bridges is on a higher plane than many of the lines of the Canadian National.

Mr. DEACHMAN: Is that not the main basis of the difference between the two?

Mr. FAIRWEATHER: The two combined constitute the main difference.

Mr. DEACHMAN: The maintenance ratio on the C.P.R. prior to the time of the amalgamation of the three roads was higher and, therefore, you had more deferred maintenance to make up?

Mr. FAIRWEATHER: It is quite obvious that the Canadian National lines that go to make up the Canadian National had been bled white before they came into the hands of the government. Naturally, all of that maintenance appears in the subsequent years and it inflates the maintenance expenses of the Canadian National lines, and it is an enormous sum of money.

Mr. DEACHMAN: Is there anything to this: In connection with the two railways the maintenance of way and structures per mile of line during the period of prosperity, say, from 1925 to 1930, was running along pretty closely; it was approximately the same for each road? And when the crisis came and business fell off the C.P.R. cut its ratio very much more quickly and more deeply than did the C.N.R.

Mr. FAIRWEATHER: Well, I would not want to be lead into a detailed statement of what the Canadian Pacific did to meet the emergencies of the depression.

I do know that in the period from 1918 up to 1929 the Canadian National Railways were spending large sums of money over a period of years to lift the maintenance standard of its property which had been allowed to deteriorate in the prior period. And that program was interrupted by the depression. From that time onward the maintenance of the property has been kept to a minimum consistent with safe operation. As to what the Canadian Pacific did in detail, I would not be a competent witness.

Mr. DEACHMAN: The figures record that attitude. But there is another frank question with regard to that; the fact that the C.N.R. ratio was not cut so deeply as the C.P.R. Was that a part of the government policy to maintain employment or was it really the policy of the Canadian National?

Mr. HUNGERFORD: I will answer that. In general it was the policy of the Canadian National Railways. We tried to balance maintenance to the requirements of the time. It is quite true that the lines of the Canadian National were greatly improved between 1918 and 1930, but in my judgment at 1930 they were not up to the full standard of the permanent lines of the Canadian Pacific at that time. Since then we have kept the maintenance as low as we could consistent with traffic requirements. That is always a matter of judgment, of course.

Mr. DEACHMAN: But because of deficiency in past times that ratio had to be carried at a higher rate relatively than the C.P.R.?

Mr. HUNGERFORD: Naturally, yes.

Mr. DEACHMAN: During the depression?

Mr. HUNGERFORD: Yes.

Mr. DEACHMAN: Does that same thing apply to the maintenance of equipment?

Mr. HUNGERFORD: To a degree. It is not quite the same.

Mr. WALSH: I should like to ask a question concerning the cash deficit on page 5. It says, "excepting charges to proprietor's equity under the provisions of the Canadian National Railways Capital Revision Act, 1937, as outlined on page 12, there was a deficit of \$54,314,196." Just what is the reference there?

Mr. COOPER: Page 12, did you say?

Mr. WALSH: Page 5 under "Cash deficit."

The CHAIRMAN: The third paragraph.

Mr. COOPER: May I refer you for a minute to page 12?

Mr. WALSH: Yes.

Mr. COOPER: The statement shows the profit and loss account for the year 1938 which is separated between line abandonments charged to proprietor's equity and the cash deficit. The system loss for the year of \$57,027,033.11 is divided, between the amount we require in cash from the government and losses of a capital nature chargeable to proprietor's equity. The reference on page 5—

Mr. WALSH: —is to that \$2,000,000?

Mr. COOPER: That is the amount which is excluded in arriving at the cash deficit.

Mr. WALSH: It represents line abandonments?

Mr. COOPER: Line abandonments including the capital loss in connection with the Prince Henry.

The CHAIRMAN: Which you will find on page 1 of the Canadian National Railways Securities Trust.

Mr. COOPER: The details are given on page 18, Mr. Walsh, if you want the details.

Mr. HOWDEN: I was going to direct attention for a moment to page 7 in connection with the abandonment of branch lines. I notice that six out of ten

are in Manitoba, and that of the six branch lines approximately 186 miles of C.N.R. track are abandoned to some 78 miles of C.P.R. track. Is it desirable, from the standpoint of the Canadian National Railways, to abandon this mileage, or why do we always seem to be getting a little the worst of it as compared with the C.P.R. in the carrying of mail and in the abandonment of track? It does seem that they are putting it over us a little bit. From the standpoint of Manitoba we are having 186 miles of lines abandoned as against some 74 all over the rest of the railway for the time being, I presume. I am from Manitoba, and I am curious to know if it is to the benefit of the railway to have all this mileage abandoned? I should like a little explanation of that.

Hon. Mr. HOWE: It is definitely an instruction of parliament.

Mr. HOWDEN: Why do we get the worst of it?

Hon. Mr. HOWE: They just happened to be working in your territory. They took up 35 miles of track in my territory. This is all co-operative planning. It is where two railroads are close to each other and when one can serve the territory they take up the other one.

Mr. YOUNG: Is that co-operation not like the horse and the rabbit?

Hon. Mr. HOWE: Considering all the disturbance up and down the country and that they have saved less than \$2,000,000 a year for both railways, I think if they had been allowed to run and had attended to problems within the railroads with the energy with which they have been worrying about this co-operation both railroads would be much further ahead to-day.

Mr. WALSH: I like the happy way in which the Minister of Transport suggests the saving of a mere \$2,000,000.

Hon. Mr. HOWE: It is not so much when you are playing with a gross income of \$350,000,000.

Mr. HOWDEN: I should like to be clear on these two points, Mr. Chairman. To begin with, am I to understand that only such portions of lines are abandoned by one railway as are supplied by the other railway?

Mr. KINLEY: By the same railway.

Mr. HOWDEN: No, the same railway would not have two branch lines running in the same district.

Mr. KINLEY: It might.

Mr. HOWDEN: They don't usually.

Mr. MCKINNON: All this is subject to the approval of the Board of Transport Commissioners, of course?

The CHAIRMAN: Yes.

Mr. HOWDEN: I should like to be informed if it is an understood fact that branches of this kind are only being abandoned when that district has some other means of supply. That is the first point I should like to have clearly fixed, and the other is that they are actually being abandoned because they are really uneconomic.

Mr. FAIRWEATHER: Answering those two questions: These lines are what the railways classify as functionally duplicate.

Mr. HOWDEN: I see.

Mr. FAIRWEATHER: That is, there will be two lines in the same territory and they will be near enough together so that in the judgment of the railway company the services of one of them is ample for all requirements.

Answering the second question: They may or may not be profitable in themselves. The railway may be paying its operating expenses and still be functionally duplicate and capable of producing a railway economy if it were abandoned. It is not necessary that the railway be losing money before it be classed as a functionally duplicate line. There are two tests; the first is, is the

remaining line of the two capable of reasonably fulfilling the transportation requirements as the railways see it; the second is, would there be an economy by abandoning one of those lines. Those are the two tests. Now, of course, the ultimate decision as to whether or not convenience and necessity can be properly handled by one railway is not in the hands of the railways themselves, it is in the hands of the Board of Transport Commissioners. And each one of these proposed line abandonments is in process of being submitted to the Board of Transport Commissioners for examination and approval or disapproval.

Now, with regard to the further point as to whether or not there are more Canadian National than Canadian Pacific lines in that particular list, it just so happens that in this year's work it fell out that way; generally speaking these functionally duplicate lines will average out when you take Canada as a whole, they will average out about fifty-fifty.

Mr. YOUNG: That is not my recollection of the last few years.

Mr. FAIRWEATHER: I said they would generally work out that way. I do not think there is any evidence that the Canadian National Railway has agreed to the abandonment of more functionally duplicate lines than the Canadian Pacific.

Mr. YOUNG: What is the total mileage so far abandoned by both roads?

Mr. FAIRWEATHER: It is a small amount, I think it is about 80 miles altogether that has been actually abandoned under the Canadian National-Canadian Pacific Act.

Mr. HOWDEN: There is 186 miles here in Manitoba alone.

Mr. FAIRWEATHER: Quite right.

The CHAIRMAN: That is proposed.

Mr. FAIRWEATHER: If you had the Saskatchewan figures you would see a preponderance of Canadian Pacific mileage in Saskatchewan.

Mr. KINLEY: Has the railway commission given any decision yet on the closing of the line from Middleton to Bridgetown?

Mr. FAIRWEATHER: Yes.

Mr. KINLEY: They have decided?

Mr. FAIRWEATHER: Yes, they have allowed it to be abandoned.

Mr. KINLEY: The whole of it, from Victoria Beach to Bridgetown and from Bridgetown to Middleton?

Mr. FAIRWEATHER: Right to Middleton, except that railway facilities in Bridgetown will be served by a spur from the Dominion Atlantic railway.

Mr. KINLEY: That is, the whole line is to be abandoned.

Mr. FAIRWEATHER: Yes, but at Bridgetown there will be a spur built.

Mr. BARBER: Right below that it refers to the 637 miles previously approved for abandonment; that 637 miles has not been abandoned yet?

Mr. FAIRWEATHER: No, they have not been abandoned yet. There is a small line from Linwood to Listowel in Ontario, and there is this Middleton-Bridgetown line that we have received the approval of the Board of Transport Commissioners very recently to abandon. Neither of these abandonments has been consummated yet. The actual lines that have been abandoned under the Act consist of the line from Saint John to Farnham in Quebec and from Cyr junction to Edmundston in New Brunswick. The balance of the lines are in process of preparing the necessary data for submission to the Board of Transport Commissioners, to find out whether or not they will permit abandonment to be proceeded with.

Mr. BARBER: I notice the next item, the Vancouver hotel. Would Mr. Fairweather make an enlarged statement as to what arrangements have been

made with the C.P.R. with respect to the abandonment of the C.P.R. hotel, what obligations have been assumed?

MR. FAIRWEATHER: There was an agreement prepared between the Canadian National and the Canadian Pacific railways under which the Canadian Pacific Railway undertook to close its hotel in Vancouver as a hotel, and at the time when the Canadian National hotel is completed. When the Canadian National hotel is completed it is to be opened on behalf of both railway companies under joint arrangement.

MR. BARBER: What about the property, does not the Canadian National assume some obligations in regard to the abandoned property?

MR. FAIRWEATHER: The property which is abandoned, the hotel property—the Canadian National has a beneficial interest in that; in this way the property is to be disposed of or valued; if it is not disposed of in the first three years—and I may say that when it is disposed of it cannot be used for a hotel—but if disposed of in the first three years the Canadian National Railway participates in the price which is paid for the hotel. In the meantime, and as long as the abandoned hotel is kept in the proprietorship of the Canadian Pacific the Canadian National shares in the cost of keeping a watchman there and the cost of taxes.

MR. BARBER: What would that amount to a year?

MR. FAIRWEATHER: I would have to refresh my mind on that. Then, the agreement provides that if the hotel has not been sold in the first three years it will have to be demolished; that is, it could not be kept there idle. And then, if the property has not been disposed of, I think within seven years, there is a provision in the agreement that the value of the land shall be arbitrated and the Canadian National Railway will receive compensation as part of the general agreement. That compensation takes the form of interest upon a portion of the arbitrated value which will accrue to the benefit of the Canadian National throughout the whole period of the lease of the Canadian National hotel to the new operating company.

MR. BARBER: If the hotel is demolished there will be a certain loss to the property; do the Canadian National assume a portion of that loss?

MR. FAIRWEATHER: No.

MR. BARBER: The C.P.R. assume the whole thing?

MR. FAIRWEATHER: They assume the whole of that. The benefit that accrues to the Canadian National is the interest on the sales price of the property or the interest upon the arbitrated price of the property for the whole period of the lease; and, of course, that means, as I have already said, that as long as the proprietorship stays with the Canadian Pacific up to the limit of seven years the Canadian National has to participate in the cost of taxes and of a watchman and services of that kind.

MR. KINLEY: How do you divide the operating deficits? Is it fifty-fifty?

MR. FAIRWEATHER: If there is an operating deficit on the hotel company it will be divided fifty-fifty.

MR. HOWDEN: Is it proposed to rent this or to hold it for sale?

MR. FAIRWEATHER: During the period of the first three years it is within the general discretion of the Canadian National and the Canadian Pacific as to whether it is rented or sold, or what is done with it; but if something is not done with it in the three-year period that is satisfactory to the Canadian National, then it has to be demolished in order to save taxes.

MR. BARBER: It cannot be used as a hotel?

MR. FAIRWEATHER: No, neither can it be leased or sold to be used as a hotel site.

Mr. HUNGERFORD: It cannot be used as a hotel under any condition.

Mr. BARBER: Will the profits of the new hotel be divided fifty-fifty?

Mr. FAIRWEATHER: No. On any profits of the new hotel the first charge is interest upon an agreed valuation on the hotel property, and that goes three-quarters to the Canadian National railways.

Mr. HOWDEN: What is the agreed valuation?

Mr. FAIRWEATHER: It provides for interest up to \$280,000 a year. If you capitalize that you will get the value of the hotel, which is \$7,000,000 at 4 per cent. So that the first charge on the hotel profits is 4 per cent on an agreed valuation of the hotel, and anything over that is divided on a dividend basis between the Canadian National and the Canadian Pacific railways on a fifty-fifty basis. In order to round the thing out and prevent any misunderstanding; one-quarter of this rental goes to the Canadian Pacific railway and three-quarters of it goes to the Canadian National.

Mr. HUNGERFORD: I think you might put it this way; up to a minimum of \$280,000 a year, which represents interest on an agreed value for the purpose of the building, the Canadian National Railway gets three-quarters and the Canadian Pacific Railway gets one-quarter.

Mr. YOUNG: What is the investment of the Canadian Pacific in the new hotel?

Mr. FAIRWEATHER: They have no investment in it. Their interest consists of getting out of the old hotel and ceasing the competition and the loss that occurs to them. There are some other details of the agreement. For instance, there is the transfer of certain furniture from the Canadian Pacific to the Canadian National free, for use in the new hotel.

Mr. YOUNG: Did they have a profit on the operation of the present hotel?

Mr. FAIRWEATHER: Well, they had some profit, yes.

Mr. YOUNG: How much?

Mr. FAIRWEATHER: I do not know that it would be possible for me to disclose those figures. I haven't got them in detail anyway.

Mr. HOWDEN: Not very much.

Mr. FAIRWEATHER: I do not think in later years it amounted to a very great amount.

Mr. YOUNG: Would it amount to one-quarter of \$280,000?

Mr. FAIRWEATHER: I really would not want to say.

Mr. YOUNG: I think we ought to know something about that. If their profits are not as great as that, if they are not getting more profits from the operation of this hotel with no competition whatever—

Mr. FAIRWEATHER: Of course, from the Canadian Pacific standpoint they are getting out of the hotel operation which they have had there for a great many years, an established hotel.

Mr. YOUNG: But if they were not making profits out of it would not it be much better for them to abandon the hotel?

Hon. Mr. Howe: There are two sides to it. The only chance of making any hotel profitable was to get all the first-class patronage of Vancouver and we had to consider whether we would do that when we opened our hotel, or take a loss which would have been inevitable. I think against an established business such as the Canadian Pacific Railway had.

Mr. YOUNG: Will this hotel be in operation during the next three years?

Mr. FAIRWEATHER: You mean, the new hotel?

Mr. YOUNG: The old hotel. Will it be operated? I am not talking about it as a hotel, but will that property be operated by anybody in the next three years?

Mr. HUNGERFORD: It may be, Dr. Young, if we can find a useful purpose for it.

Mr. YOUNG: Will it not be operated by the Canadian Pacific?

Mr. HUNGERFORD: No, it is a joint operation between the two companies.

Mr. YOUNG: Is it a fact that a laundry will be operated now on that territory?

Mr. HUNGERFORD: No.

Mr. YOUNG: That will not be operated?

Mr. HUNGERFORD: No; the laundry work has been transferred to the new hotel, and the new hotel company has made a contract with the Canadian Pacific and is making one with the Canadian National to do the laundry work for both the railways and the steamships in addition to the hotel work itself.

Mr. HOWDEN: There was an anticipation that the building might be useful for office purposes?

Mr. HUNGERFORD: That has been one suggestion. Disposition of the building is not very clear at the present time; it is one of the things that we have to consider.

Mr. YOUNG: What are the annual taxes on the old hotel?

Mr. HUNGERFORD: It seems to have varied from year to year; perhaps we have it.

Mr. FAIRWEATHER: I would not care to answer offhand as to what the taxes were.

Mr. YOUNG: Can you have it for the next time we meet?

Mr. FAIRWEATHER: I have a figure in my head but I should like to confirm it.

Mr. EMMERSON: Reverting back to page 5, to the capital expenditure account, I see you list different items such as "rolling stock purchased or built" and so on. Could we have a break-down as to what was purchased by the Canadian National Railways and what was built by them?

Mr. ARMSTRONG: During the year 1938 there were constructed in the Transcona shops 25 sand cars and 13 snowplows; the balance of the equipment was all constructed at various car and locomotive manufacturing plants.

Mr. EMMERSON: Private concerns?

Mr. ARMSTRONG: By private concerns.

Mr. EMMERSON: Then the total construction by the C.N.R. in their own shops was 25 sand cars and 13 snowplows?

Mr. ARMSTRONG: That is correct.

Mr. MCKINNON: If we can revert to the Montreal terminal, I should like to ask Mr. Fairweather a few questions.

The CHAIRMAN: I should like to finish the report, if you do not mind, and then we can return to the Montreal terminal. Are there any other questions on any other sections of the report?

Mr. WALSH: I want to find out about unemployment relief money. How much did the Canadian National Railways receive from the government under that item on page 6 "unemployment relief expenditures?" Is there any way of finding out exactly how much was advanced under that paragraph?

Hon. Mr. HOWE: I think we have that here, yes. Up to March 31, the amount paid or due or payable by the government was \$148,876. That is, excluding the Montreal terminals.

Mr. WALSH: Yes, outside the Montreal terminals.

Hon. Mr. HOWE: \$148,876.51; and commitments, \$109,911.51.

Mr. WALSH: This was not an item that was expended as items in previous years on the joint program of railway expenditures?

Hon. Mr. HOWE: No, we put in an item there for assistance to railway projects, part of the program to stimulate building, limited to the direct labour content only.

Mr. WALSH: Then, coming to this city that is known as Saskatoon, what was the cost of the new station at Saskatoon which is referred to on page 6 under that same item, "unemployment relief expenditures"? What is the total cost of that?

Hon. Mr. HOWE: About \$300,000, I believe.

Mr. WALSH: Of that amount how much was contributed by the dominion government from the unemployment relief fund?

Hon. Mr. HOWE: \$79,078.61 as of March 31st.

Mr. WALSH: Was this program part of the program that was discussed at the last session of parliament?

Hon. Mr. HOWE: Yes.

Mr. WALSH: Was the program slow to develop?

Hon. Mr. HOWE: Not the program discussed last year. I may say that the Saskatoon station is very much in the same position as the Vancouver hotel and the Montreal terminals, a project half built and shut down.

Mr. WALSH: When was it begun?

Hon. Mr. HOWE: 1929.

Mr. HUNGERFORD: I think 1928 or 1929.

Mr. SMART: 1928.

Mr. WALSH: When did they stop work on it?

Mr. SMART: In 1931 or 1932.

Mr. HUNGERFORD: Saskatoon?

Mr. SMART: Yes.

Mr. HUNGERFORD: I think we only worked two years on it, part of one season and part of another.

Mr. SMART: 1930?

Mr. WALSH: What time?

Mr. SMART: 1930 or 1931.

Mr. WALSH: Was there any particular reason for stopping the work at that time?

Hon. Mr. HOWE: Lack of funds.

Mr. HUNGERFORD: The depression, that is all.

Mr. WALSH: They needed a station at Saskatoon, I should think, and if they decided to build a station I should think they would go ahead and complete it.

Mr. YOUNG: A mistake was made in that particular case, just the same as I say a mistake was made with regard to the Montreal terminals. At that time they should have been providing work instead of stopping work, in 1930 and 1931.

Mr. WALSH: Has there been any increase in the passenger service or freight service business in Saskatoon to warrant the completion of the station, or is it just taking advantage of the opportunity of getting relief money expended in Saskatoon? I am not in any way opposing the building of this station because I do not know the conditions; I have never been to Saskatoon, but I know it was started and then stopped and now it is started again, and I am just trying to look for information.

Mr. HUNGERFORD: That work was first started and the track layout and platform were completed. The station building itself was not. The present work contemplates the erection of the station itself. The old station is very unsatisfactory for the accommodation of the public; space is inadequate and very badly arranged, and the new station will provide better facilities for the public. We have substantially the same number of trains operating there although it is possible that the total volume of passenger travel would not be quite as great as it was in former years, but it fluctuates from time to time.

Mr. BARBER: I should like to ask a question with regard to pensions on page 6. Do the pensioners depend on the revenues of the company, or has there been a fund built up sufficient to take care of it?

Mr. FAIRWEATHER: Are you speaking of the Social Security Act of the United States or are you speaking of pensions in Canada?

Mr. BARBER: Canada.

Mr. FAIRWEATHER: There are three funds in Canada for Canadian National pensioners. They are all contributory and the employees contribute a portion of their pay to the funds. In all three plans the Canadian National Railways also contributes to the cost of pensions.

Mr. BARBER: Will a fund be built up sufficient to take care of them, or will they have to depend on additional money?

Mr. FAIRWEATHER: Well, the answer to that question is this: you have to understand that the company's contribution, the company's portion of the cost is paid as it is required. The employee's portion of the cost is paid while the employee is working. Consequently the answer is with regard to the portion of the expense which is paid for by the employee a fund is being built up. With regard to the portion of the pension which is paid for by the company, that is charged into operating expenses as it is required.

Mr. YOUNG: What portion is paid by the employees?

Mr. FAIRWEATHER: Well, of course, that is a very difficult question to answer. I think originally the funds were intended to be divided fifty-fifty; that is, the Intercolonial and P.E.I. Provident Fund and the Grand Trunk superannuation fund, and I think the intention was they would be fifty-fifty, but it has not worked out that way and the company is bearing more than 50 per cent of the cost.

Mr. YOUNG: How much more?

Mr. FAIRWEATHER: Well, I would hesitate to say how much more.

Mr. YOUNG: Is it substantial or not; how much more?

Mr. FAIRWEATHER: You can see, under the provident fund itself, under the I.C.R. and P.E.I. provident fund the company is contributing a great deal more than the amount. I would say the company down there is contributing about \$1,400,000 and the employees are contributing about \$200,000 at the present time.

Mr. EMMERSON: That amount will be reduced as time goes on?

Mr. FAIRWEATHER: That fund is closed. There can be no new members to that fund. Now, with regard to the Grand Trunk fund, the contributions of the employees are again smaller in latter years than the contributions by the company. That is the old fund is a relatively small fund; it is closed. I think at

the present time there are 142 pensioners and I think less than 150 contributing members, a very small fund. The Grand Trunk fund, and then, of course, our general pension plan was put on a contributory basis in 1935. Prior to that time it was on a non-contributory basis, borne entirely at the cost of the company. In 1935 it was placed on a contributory basis.

Mr. YOUNG: Fifty-fifty?

Mr. FAIRWEATHER: No, I would not say fifty-fifty.

Mr. VIEN: Is there a fixed percentage of the wage paid by the employee?

Mr. FAIRWEATHER: It depends. In the I.C.R. and P.E.I. fund it was based on $1\frac{1}{2}$ per cent. In the Grand Trunk superannuation fund it is fixed at $2\frac{1}{2}$ per cent. In the Canadian National fund it is a variable amount, elected by the employee himself, and may be any whole integral per cent from 1 up to 5 per cent so far as the company matching is concerned; then, if the employee desires to contribute more, he can contribute up to 10 per cent of his salary, but the company won't match beyond 5 per cent.

Mr. VIEN: There are various benefits, I suppose, under these various plans?

Mr. FAIRWEATHER: In the I.C.R. and the P.E.I. fund the only benefit that you get is your pension during your lifetime after you retire, and that is calculated on $1\frac{1}{2}$ per cent of your average pay for the last 8 years multiplied by the number of years of service. In the Grand Trunk superannuation fund the benefit is also in the form of a pension and is calculated at the rate of one-sixtieth of the man's average pay for the best ten years. In the case of the Canadian National general fund, the benefits are in the form of a pension which one may get either in the form of an annuity on his own life or a joint and survivor annuity with himself and his wife at a lower rate, or a guaranteed annuity for a stipulated period of time.

Mr. HUNGERFORD: At a lower rate.

Mr. FAIRWEATHER: Also at a lower rate. Those are all figured out on an actuarial basis, so that the case is the same as if he had taken out a simple annuity. In the case of death before pension or leaving the service before retiring, there is provision for a refund of the contributions that the employee makes.

Mr. MAYBANK: With or without interest?

Mr. FAIRWEATHER: In the case of the Canadian National main plan, it is with interest; in the case of the I.C.R. and the P.E.I. and of the Grand Trunk superannuation fund, I believe it is without.

Mr. YOUNG: What is the rate of interest?

Mr. FAIRWEATHER: The rate of interest in the general fund is the rate of interest which is fixed at three-year intervals by the board of directors, but it cannot be lower than the average yield of dominion government bonds of, I think, a 20-year maturity. The present rate of interest is $3\frac{3}{4}$ per cent.

Mr. WALSH: Is there a retiring age?

Mr. FAIRWEATHER: Yes. There is compulsory retirement at age 65, and there is provision for retirement at age 60, with twenty years service, if totally incapacitated.

Mr. WALSH: There is no minimum retiring amount?

Mr. FAIRWEATHER: Yes, there is a minimum retiring amount of \$300 a year, in the general fund.

Mr. WALSH: One case was drawn to my attention which I think was rather deplorable. One of your parlor car men conductors was retired at the age of 65, just recently, at \$29 a month. No man can live on \$29 a month.

Mr. CAMERON: How many years' service had he?

Mr. WALSH: Thirty-five years' service.

Mr. FAIRWEATHER: After all, the pensions costs, under the non-contributory plan of the Canadian National, were mounting at a very high rate and something had to be done about it. They were put on a contributory basis. I suspect from what you say that this man did not elect to contribute to our fund; and the result is that what he got is what is called the service pension. That is, he only got his pension which had accrued to him up to the date of the change-over. If he had elected to contribute to the fund, his pension would have been larger.

Mr. WALSH: When they contribute to the fund, you suggest that it is on a certain percentage basis of their salaries. There are certain of your employees who are very poorly paid, as far as salary is concerned?

Mr. FAIRWEATHER: Yes.

Mr. WALSH: And they depend, for their income, chiefly on tips and gratuities of that nature?

Mr. FAIRWEATHER: Yes.

Mr. WALSH: Their retiring allowance then is very small, if it is computed only on their salaries.

Mr. MAYBANK: There is a minimum, is there?

Mr. FAIRWEATHER: There is a minimum. I want to say that in designing the Canadian National's pension plan, this point that you are raising, Mr. Walsh, was given very careful consideration. It was recognized that when you put a contributory pension plan into effect at a fixed rate of interest which is high enough to pay half of the cost of the pension, it becomes a real burden on the lower wage earner; he really cannot pay it. The result is that this plan of the Canadian National will give a minimum pension of \$300 a year to a man without his contributing. He does not have to contribute to get \$300 a year, \$25 a month. That is a sort of back log for him. If his financial conditions are such that he cannot contribute, that is his pension. If he, however, finds it possible to contribute, then he will increase his pension. I think myself that it is a very good arrangement. That is, the person who cannot afford—

Mr. DEACHMAN: That would be an Aberhart pension?

Mr. FAIRWEATHER: No, hardly that; because a man has to give service. In order to qualify, he has to give twenty years of loyal and faithful service to the company.

Mr. VIEN: Mr. Chairman, I would suggest that if the charge or the rate varies from $1\frac{1}{2}$ per cent to 5 per cent, and they have various benefits under different plans, based on an actuarial basis, there is not much ground for complaint that I can see. An employee who cannot pay or contribute $1\frac{1}{2}$ per cent of his salary is rather rare. It goes up to even 5 per cent. Take a man who earns \$1,000 a year, who has to pay 5 per cent on that, \$50; it will amount to a little over \$4 a month. It does not appear to me that it is very exacting for that employee to have to contribute \$4 or \$5 a month so as to be able to increase his pension when he is superannuated. Therefore, while I, like Mr. Walsh, pity the fate of the man who is retired at 65 years of age, and who finds himself only with the minimum of \$300 a year, we have also to consider that he had other options open to him—that of paying $1\frac{1}{2}$ per cent or that of paying more up to 5 per cent, which is the maximum. I suppose 5 per cent is about the maximum to be deducted?

Mr. MAYBANK: It is the maximum.

Mr. VIEN: It is?

Mr. MAYBANK: Yes.

Mr. VIEN: A maximum contribution of 5 per cent on the wages of a railway employee is not an unreasonable one. As a matter of fact, it is the one

that is being charged to all civil servants in the civil service of Canada. Therefore, I think one has to keep in mind that if the pension is small for the man who did not contribute, it is because he did not exercise the options that were open to him; and if it is already costing the railway services a million or more a year for the pensions which were in the fund, adding to those pensions without contributions from the railway employees would mean a heavier load on the railway company and a heavier deficit at the end of the year.

Mr. BARBER: I notice they cost the company \$4,159,798, an increase over the amount in 1937.

Mr. VIEN: Yes.

Mr. FAIRWEATHER: That is, for all of our plans.

Mr. MAYBANK: Have we not a number of employees, Mr. Fairweather, who are not moving forward towards any possibility of superannuation at all? We have here in the civil service a number of people who may have been employed for ten years, or perhaps it is a longer time, and they are still called temporaries, and they are not getting any superannuation; they are not looking forward to superannuation. Is there not something akin to that with the C.N.R.?

Mr. FAIRWEATHER: There is something like that. Our requirements for pension are that you shall have twenty years allowable service, with good conduct.

Mr. VIEN: That is permanent employment.

Mr. FAIRWEATHER: Permanent employment. If you happen to have been an old employee before the days of the change over—

Mr. MAYBANK: That was 1935.

Mr. FAIRWEATHER: That was 1935; that is fifteen years. The older employees must give fifteen years; the new employees must give twenty years.

Mr. MAYBANK: That is not the end.

Mr. FAIRWEATHER: Now I am coming to what you are saying. Anybody who gets under those deadlines will get a pension. If he fails of that requirement of fifteen or twenty years, he fails of pension benefit, except that our new plan does provide that if a man, let us say, came into the service and had nineteen years service, the contributory portion of the C.N. pension plan is available to him after he has had ten years service; and, consequently, he would have been able to contribute for nine years. The company will allow him a pension at the end of his service arising out of his contributions and the company's matching contributions, but he will fail to get the service pension or the basic pension.

Mr. MAYBANK: We have under that this situation, have we not: a large number of employees who appear—

Mr. VIEN: Seasonal or otherwise?

Mr. MAYBANK: No, not seasonal.

Mr. VIEN: Permanent?

Mr. MAYBANK: Yes, who at the very moment they were hired appeared to be permanent; it was apparent that they were going to be permanent employees. At any rate, as a year or two years went by, it was quite certain in everybody's mind that they were permanent employees and they have so remained permanent, working not seasonally but working every day of the year. They work for ten years. They make no contributions. In spite of willingness to make contributions, they cannot make contributions.

Mr. FAIRWEATHER: Not for the first ten years.

Mr. MAYBANK: Not for the first ten years?

Mr. FAIRWEATHER: That is right.

Mr. MAYBANK: How many years service must a person have before he can get pension? Is it not twenty?

Mr. FAIRWEATHER: That is, to qualify for the basic or the service pension?

Mr. MAYBANK: Well, at the age of 65?

Mr. FAIRWEATHER: At the age of 65 he would have to have twenty years service if he is a new employee.

Mr. MAYBANK: A person entering the service at 35 makes no contribution until he is 45?

Mr. FAIRWEATHER: Right.

Mr. MAYBANK: And he is expected to retire twenty years thereafter and is supposed to make a contribution for twenty years and it will be matched?

Mr. FAIRWEATHER: Yes.

Mr. MAYBANK: And they will get their pension based on a percentage of their whole time based on a percentage of their last eight years or what?

Mr. FAIRWEATHER: No. Under our plan an employee such as you describe would get his basic pension of \$300 a year; and then he would get an annuity purchaseable with his contributions and accrued interest plus the company's contributions calculated on an actuarial basis; and the two things together would make up his pension.

Mr. VIEN: But that is based on the number of years' service, is it?

Mr. FAIRWEATHER: It is related to it, because his earnings are related to his years of service.

Mr. VIEN: Take the case suggested by Mr. Maybank, that of a person getting into the service at 35 years of age, at 45 years of age he is permitted to contribute to the plan?

Mr. FAIRWEATHER: Yes.

Mr. VIEN: And when he retires at 65 years of age, he has his basic pension of \$300.

Mr. FAIRWEATHER: That is right.

Mr. VIEN: And would the pension paid to him be based on the thirty years that he has been in the employ of the company or on the twenty years he has joined the plan?

Mr. FAIRWEATHER: Neither. It would be based on how much money he had in the trust fund.

Mr. VIEN: I see. Then when he joins at the age of 45, after ten years of service, is he eligible to contribute to the fund for the ten years that he has already served?

Mr. FAIRWEATHER: No. There is the point. For that ten years—

Mr. VIEN: He gets the basic pension?

Mr. FAIRWEATHER: He gets his basic pension and he gets that without any contribution; but he has to give the service to qualify for it. Coming to your point, there is a relatively small proportion of men who come to age 65 and fail of pension. We pensioned last year 991 employees; I would hesitate to place the figure as to how many men went out of the service without pension, but it would only be a small fraction of that number. It might be perhaps 70 or 80 men or something like that.

Mr. BARBER: What portion contribute?

Mr. FAIRWEATHER: I beg your pardon?

Mr. BARBER: About what proportion would be contributing towards pension?

Mr. FAIRWEATHER: Of those who are eligible to contribute?

Mr. BARBER: No, of the employees.

Mr. MAYBANK: There are two different pensions.

Mr. VIEN: Take the 900 odd employees who were pensioned last year. How many of them were contributory and therefore getting benefits under your plan?

Mr. FAIRWEATHER: Under the contributory operation?

Mr. VIEN: Yes.

Mr. FAIRWEATHER: Of course, they all get their service pension. I would not want to say offhand, but I think a little better than 50 per cent of them, perhaps 60 per cent.

Mr. VIEN: But it will increase from year to year?

Mr. FAIRWEATHER: Yes.

Mr. EMERSON: Would that apply throughout the system?

Mr. FAIRWEATHER: Yes, it would apply throughout the system. There are about 7,000 employees in the I.C.R. & P.E.I. fund.

Mr. DEACHMAN: How do you account for this: On the general expense item on page 17 the pensions are given as \$4,022,000, and last year they are given as \$4,159,000?

Mr. COOPER: Some of the expenses is charged to the express department, some to the telegraph department, some to hotels and subsidiary companies. The figure of \$4,159,000 is the combined total.

Mr. DEACHMAN: This covers the whole and the other is purely a matter of railway operation.

Mr. MAYBANK: These questions are not quite relevant to the one I asked. Coming back to my question, I am thinking of people who probably will be retired before 65. Some people age much more quickly than others, particularly in the case of women. The persons whose cases I was citing are those who have probably been contributing for ten years; what would they get out of that if they were forced to retire?

Mr. FAIRWEATHER: If they were at age 60 with 20 years of service they may retire upon a medical officer's certificate. If they are below age 60 and have thirty-five years of service they may retire. That is, if you have thirty-five years of service you may retire if you are sick, although you are not age 60. But if you are age 60 or upwards you must have twenty years of service.

Mr. MAYBANK: What are the reasons for not permitting permanent employees, as they appear to be, to contribute during the first ten years?

Mr. FAIRWEATHER: Because you give them a basic pension free.

Mr. MAYBANK: Yes, but you only give them that if they reach the age of 65.

Mr. FAIRWEATHER: Yes, but after all, the railway pension plan is designed to promote long and faithful service. It is compensation for long and faithful service.

Mr. MAYBANK: You must have a great many people who drop out short of age 65 and cannot carry on. I am not thinking so much of men as I am of women.

Mr. FAIRWEATHER: They get their contributions back with accrued interest.

Mr. MAYBANK: Yes, but for ten years they have not been allowed to make any.

Mr. FAIRWEATHER: No, but they have their salaries.

Mr. MCKINNON: Take the case of a person who is employed for ten years but not consecutively?

Mr. FAIRWEATHER: Yes.

Mr. McKINNON: That person may be employed probably three or four months of the year; how do you base the ten years, on 12 months' service?

Mr. FAIRWEATHER: No, it is ten years from the date of their last entry into the service; consequently a man who came into the service and worked seasonally, supposing he joined the service to-day, in ten years from to-day he would be eligible to contribute, although he might have actually worked only five years.

Mr. KINLEY: Mr. Chairman, may I have a report on the disposition of the case of a railway man in my riding named Millege Weagle, and the file?

Hon. Mr. HOWE: You may have the report but not the file.

Mr. KINLEY: I should like to have the report to-morrow. It is a basic pension but there is a principle involved which I think is important. I want that report to-morrow morning.

Hon. Mr. HOWE: I presume the officers will give you that report.

Mr. FAIRWEATHER: What is the name?

Mr. KINLEY: Millege Weagle.

Mr. FAIRWEATHER: Is that an I.C.R. & P.E.I. provident fund case?

Mr. KINLEY: No, it is a basic pension. There is quite a file on it.

Mr. SMART: It would be the Halifax and South Western.

Mr. FAIRWEATHER: That is Canadian Northern.

Mr. WALSH: Could you refer to page 6, cartage service?

Mr. KINLEY: At the meeting to-morrow I should like to have that. There is a very important principle involved in that pension and I do not think the man has been treated fairly.

Mr. ARMSTRONG: That was recently granted, was it?

Mr. KINLEY: Granted?

Mr. ARMSTRONG: It was recently dealt with.

Mr. KINLEY: Within six months.

Mr. ARMSTRONG: You say his name is Weagle?

Mr. KINLEY: Yes, Millege Weagle.

Mr. VIEN: There was a case of hardship which came to my knowledge wherein the regulations worked havoc with a family. I do not blame the system, but I think it could easily be corrected. Let us take the case of a man of 63 or 64 years of age who dies before being retired; in that case his widow is without pension. I think it should be possible to correct that so as to enable the widow of an employee who dies without being pensioned to benefit somehow under the benefit plan. In one case the employee had been in the employ of the company for almost forty years. He was a station agent when he died, but he died just a few months before being pensioned and his widow received only the refund of his contributions to the fund which amounted I think to \$600 or \$700 all told.

Mr. FAIRWEATHER: That is undoubtedly a point. I will say this, that the Canadian National pension plan is the most generous pension plan of all that I have examined in that regard. You take the United States Railroad Retirement Act, this option of a widow's pension has to be given, in their case, five years in advance of retirement, or it has to be based upon a medical certificate that the man is in good insurable health. In the case of the Canadian National Railway a man has the option of changing his pension into a joint and survivor annuity right up to the minute of his retirement or death. And he has the maximum degree of facility for doing it. If he does not do it, then, of course, his widow is refunded the contributions. I do not know how we could make it automatic.

Mr. VIEN: I would suggest that after 60, if an employee dies after a certain number of years' service, his widow should have the option of electing between the refund of his contributions and her pension under the plan. I suggest you could probably correct some hardships in that way. I am not blaming the plan as it is at present, but I think it could be improved in that direction.

The CHAIRMAN: Are there any other questions, gentlemen?

Mr. YOUNG: I should like to ask the management how this pooling arrangement is working out. First, how much pooling is there and what has been the experience over the years with it?

Mr. FAIRWEATHER: You are referring to passenger train pooling?

Mr. YOUNG: Yes.

Mr. FAIRWEATHER: Passenger train pooling consists of all the passenger revenues between Quebec and Toronto and between Ottawa and Toronto.

Mr. MAYBANK: That is the full extent of it?

Mr. FAIRWEATHER: That is the full extent of it. It produces an economy, a substantial economy, as compared with competitive conditions which existed previously. I think on the whole it is working out reasonably satisfactorily. Certainly it is producing economies, and it has eliminated a certain amount of duplicate competitive train mileage.

We have at present under study the idea of extending the passenger train pooling arrangements, as referred to in the annual report, to include all duplicate competitive passenger train service in Canada.

Mr. YOUNG: Will you explain to the committee just how the revenues are divided between the two companies?

Mr. FAIRWEATHER: The revenues are divided between the companies equally.

Mr. YOUNG: Equally?

Mr. FAIRWEATHER: Equally.

Mr. MCKINNON: Regardless of what equipment is used?

Mr. FAIRWEATHER: The principle of the pool is to treat the revenues and expenses separately. Each company gets 50 per cent of the pooled revenue and each company is responsible for the same proportion of service as it had been rendering prior to the pool.

Mr. MCKINNON: The point I have in mind is this: The train that goes out to Toronto at night has on it, we will say, a C.N.R. locomotive and probably nine or ten Canadian National cars.

Mr. FAIRWEATHER: We would not have a C.N.R. locomotive on that train; it would be a C.P.R. locomotive. There might be C.N.R. cars on it.

Mr. MCKINNON: If they have C.N.R. cars on that train would the revenue be split fifty-fifty?

Mr. FAIRWEATHER: It is not from that particular train, it is the revenue of all the tickets that are sold in and through Ottawa going to Toronto. It does not matter what train you move on, the revenues are pooled. You may go between here and Toronto on a non-pooled train and still the passenger revenue is pooled. The revenues are pooled irrespective of the train on which you move. And the revenues are divided fifty-fifty, that being the proportion that each company is satisfied that it had before the pooling arrangement, not on any one particular route, but with regard to the whole pooled services.

Mr. VIEN: With respect to the equipment?

Mr. FAIRWEATHER: Well, with respect to the equipment, trains and engines, and train crews and things of that character, each party is responsible for the same proportion of train miles and the same proportion of car and locomotive

miles and everything else like that as it had been furnishing under the competitive conditions prior to the pool.

Mr. VIEN: Would that be fifty-fifty?

Mr. FAIRWEATHER: Not necessarily, no; the C.P.R. had more service prior.

Mr. YOUNG: Supposing that one service was going down and the other coming up; we will say the Canadian National had a bigger proportion before but suddenly the people decided they wanted to travel via the C.P.R.

Mr. FAIRWEATHER: Once the pool is made the thing is fixed.

Mr. YOUNG: Nothing is taken into consideration later on?

Mr. FAIRWEATHER: No. Once the thing is pooled it is fixed.

Mr. YOUNG: What about the railway itself, the actual road over which it runs; how is that adjusted?

Mr. FAIRWEATHER: Well, that is adjusted through the basis of train miles. Each company has to run its proportion of train miles, car miles and locomotive miles; it has got to repair its proportion of locomotives; it has to repair its proportion of cars and it has to provide its proportion of train miles. Everything is all set up on a formula.

Mr. YOUNG: I am talking about the tracks.

Mr. FAIRWEATHER: The tracks come into the train miles.

Mr. MCKINNON: Each company runs over its own road bed?

Mr. FAIRWEATHER: Each company runs over its own road bed, except getting into and out of Montreal, two pool trains run to and from Windsor street station and divert at Dorval to and from the Canadian National. They run over the Canadian Pacific from Windsor street station out to Dorval station. The party on whose tracks the train is operated operates the engine and provides the train crew.

Mr. VIEN: But from Montreal to Toronto and from Ottawa to Toronto most of the road used is the C.N. road, isn't it?

Mr. FAIRWEATHER: No. Between Ottawa and Toronto the Canadian Pacific road is used almost entirely for both trains.

Mr. VIEN: But to Brockville?

Mr. FAIRWEATHER: I mean between Ottawa and Toronto. There is a train that goes from Ottawa over C.P.R. tracks to Toronto and there is another one that connects with the C.N.R. at Brockville. Cars on the one that connect at Brockville, continue on the Canadian National line to Toronto. The other one goes down to Peterborough and goes through on the Canadian Pacific. Now, between Quebec and Montreal the pool services are all run on the Canadian Pacific rails. Between Toronto and Montreal the pool services are run partly on Canadian National and partly on Canadian Pacific, mostly on Canadian National.

Mr. VIEN: And each company maintains its road bed?

Mr. FAIRWEATHER: Each company maintains its road bed. You see, the road bed use is covered by train miles and car miles and that way it is adjusted.

Mr. VIEN: And it is through that policy that a balance is maintained between the two roads?

Mr. FAIRWEATHER: Oh, yes.

Mr. HOWDEN: I want to come back to this rolling stock for a minute. I guess this is as good a time as any to ask the management what their policy is with requirements for rolling stock; if it is still the policy of the company to build some of the rolling stock and buy other rolling stock, and if there is a prospect of our getting any more building? The reason I mention this is because perhaps the largest shop on the system is out where I live, in Transcona. They

have a great many employees there and a very large proportion of them are idle most of the time, and yet I have reason to believe there is a good deal of work to be done in that shop. It may be that the company cannot afford to do it just now, but there is usually a wail from these people that they are in a position, both as to themselves and as to the equipment in the shop, to build any equipment that is required by the railways. They have told me many many times that they were in a position to build locomotives, they build some engines, and there is very great exception taken by them to the government sending contracts out to the contract car shops when their own employees are idle a great deal of the time. It has been the policy of the government in the past, I believe, to make more or less of a division, and the regular employees do feel that they have been getting a little the worse of the deal. If the management is in a position to make any statement along those lines I would be glad to hear it.

Mr. HUNGERFORD: It was formerly the practice to do repair work in the government shops, and also from time to time to let a portion of the repair work out to the contract shops. That has not been done for many years. The repair work is done entirely in our own shops. Our own shops, generally speaking, are not equipped to build certain kinds of rolling stock advantageously, notwithstanding what the men say.

Mr. HOWDEN: But they have built rolling stock at Transcona?

Mr. HUNGERFORD: Of certain kinds.

Mr. HOWDEN: Yes.

Mr. HUNGERFORD: But it is the policy to place equipment of that kind for which our shops are well equipped to do in our own shops, and on the other classes of equipment to place it in the contract shops.

Mr. MAYBANK: Taking up two or three words there; is it the policy to give the publicly assisted shops everything that they can advantageously do, or a part of that only?

Mr. HUNGERFORD: Very largely, Mr. Maybank.

Mr. MAYBANK: Do we contract out to any extent work that we could advantageously do?

Mr. HUNGERFORD: No, we do not.

Mr. MAYBANK: That, of course, is what the claim is. They say that such-and-such a piece of work has been farmed out and we could certainly do it here. That is what they say.

Mr. HUNGERFORD: For instance, just to illustrate the case: For years past we have placed orders for refrigerator cars in Transcona, and sometimes in some of our other shops. The Transcona shop is well equipped for that purpose, but it would be folly, in my mind, to have box cars built there, cars of the modern type, because it is simply an assembling proposition. Nearly all of the material is fabricated and most of it would have to be shipped to Winnipeg and simply put together and in all probability we would have to pull the cars back east. You would not have much economy in doing that.

Mr. MACKINNON: You have never built any locomotives there?

Mr. HUNGERFORD: A few; we have also built a few at one of our other shops.

Mr. MACKINNON: Is it advantageous to build locomotives in the Transcona shop?

Mr. HUNGERFORD: I think that unless some unusual condition arises—as a matter of fact, we have bought very few locomotives for several years back.

Mr. MACKINNON: You have the equipment to build locomotives at Transcona?

Mr. HUNGERFORD: We can, with a certain amount of difficulty.

Mr. VIEN: How is this system fixed with respect to rolling stock replacements? A few years ago, if I mistake not, parliament voted \$15,000,000 to provide for modern equipment to the two railway systems. If memory serves me right, that was in 1933 or 1934. Is that right, Colonel Smart?

Mr. SMART: Yes.

Mr. VIEN: How is the system now fixed with respect to its requirements? Has it all the rolling stock it desires of the modern type, or would it require anything similar? I am sure the minister will relish the idea of putting in the budget or in the estimates another \$15,000,000 to help you.

Mr. HUNGERFORD: In my opinion the Canadian National Railways is reasonably well equipped with locomotives to take care of the business that is in sight, but it will be necessary from time to time possibly for us to replace some units when they wear out. They are wearing out continuously, and we have to retire a certain number every year. A certain proportion of new equipment will have to be purchased from time to time.

Mr. VIEN: For the time being you feel that you are sufficiently provided for?

Mr. HUNGERFORD: We have some orders out now.

Mr. HOWDEN: When it is feasible to build that equipment in the company's shop is there a prospect of them getting the opportunity?

Mr. HUNGERFORD: I beg your pardon?

Mr. HOWDEN: I say, when it is feasible to build these replacements in your own company shops is there any prospect of them getting the business to do there.

Mr. HUNGERFORD: It all depends on the class of equipment, Mr. Howden.

Mr. HOWDEN: I say, when it is feasible.

Mr. HUNGERFORD: I do not mind saying we have gone to a great deal of trouble, I would not say expense, a good deal of difficulty and trouble to place work of that character in our own shops. In other words, we have placed orders there when it has involved long delays in having it turned out. We could have got it from contract shops much quicker, but we have tried to meet the situation reasonably well. If a particular shop is reasonably well equipped to perform the work we give them the work. As a matter of fact we have made very serious efforts to do it from time to time.

Mr. EMMERSON: There were certain snow-plows that were built in the Transcona shops, as I understand it?

Mr. HUNGERFORD: Yes.

Mr. EMMERSON: Where did those snow-plows go, to what part of the country?

Mr. HUNGERFORD: Oh, they were sent all over, some went as far east as Moncton, I believe.

Mr. EMMERSON: Were most of them taken east?

Mr. HUNGERFORD: I cannot remember the particulars.

Mr. EMMERSON: Were there not 17 of them sent out to Vancouver?

Mr. HUNGERFORD: There may have been.

The CHAIRMAN: Shall we refer to the Montreal terminal?

Mr. WALSH: No. To the cartage service. I would like to have a little more complete explanation of that, touching these points: What class of expenditure was involved in putting into effect this service; and was the equipment for this service purchased new or was it all taken over from the old company by the development of this new service? That will be found at the bottom—that might have been involved with to what extent were economies effected
of page 6.

Mr. FAIRWEATHER: Well, I gather that what you want is a statement of the capital expenditure in that new venture?

Mr. WALSH: Yes.

Mr. FAIRWEATHER: How many trucks were purchased new, and how many were purchased second-hand?

Mr. WALSH: Yes, just a list of those. What I am trying to find out is whether this involved any outlay of capital expenditure to any great extent, and if the management feel that they have been able to effect a real economy in the thing, considering the capital that has been invested in it.

Mr. FAIRWEATHER: I can speak to that very positively. Before this particular venture was entered into I was charged with making a very thorough analysis of it, and we did that, and we made estimates of the cost. We also procured figures from the contractors as to what they were willing to renew their contract at, and they wanted an increase. They said they could not carry on at the old contract rates; and based on the forecast which we made we negotiated with the Canadian Cartage and Storage Company for the acquisition of their property and for the lease for a limited period of time of their garage and stables. We took over from them a number of horse-drawn vehicles and a number of partly used trucks, some of them were almost new and some of them were as old as ten years. After we had acquired the property we found it advantageous,—as a matter of fact we knew it and had made provision for it in the estimates,—we had to buy some additional equipment. But I am happy to say that the estimates we made of the result of this particular operation proved to be quite accurate, and there has been a handsome return on the capital which was invested in the property, quite a handsome return. And in addition to that, we not only reduced our costs on cartage services in Montreal, but we also improved the service as the shippers have found out; so that we achieved an economy in operation and we also improved our service. If you would like the figures they can be supplied as to what it amounts to, the amount of capital is not very great.

Mr. WALSH: It represents a profitable venture as far as you are concerned?

Mr. FAIRWEATHER: It is a highly profitable venture. The total amount of capital involved in this thing is less than \$200,000.

Mr. WALSH: There might be the possibility of extending that type of service to other points.

Mr. FAIRWEATHER: It is a highly profitable venture. The total amount of capital involved in this thing is less than \$200,000.

Mr. WALSH: There might be the possibility of extending that type of service to other points.

Mr. FAIRWEATHER: That is under study.

Mr. MCKINNON: On page 6 there is an item pertaining to Trans-Canada Air Lines which says:

During the year additional calls aggregating 47 per cent, or \$2,350,000 on the capital stock (\$5,000,000 of the Trans-Canada Air Lines were met by the Canadian National Railway Company).

None of that I presume would go to interest other than the Canadian National. The Canadian National is absorbing all of that, is that right?

Mr. FAIRWEATHER: Yes, that is correct.

Mr. YOUNG: What benefits have accrued to the railway companies under bill 31 of last year having to do with agreed charges?

Mr. HUNGERFORD: Nothing yet, but developments are under way. The matter is necessarily quite a complicated one to get under way and started. There has been a joint committee of the traffic officers of the two railways that

have been working on it continuously since the bill was passed. Very substantial progress has been made in certain directions but no agreements have been consummated as yet.

Mr. YOUNG: No agreements consummated?

Mr. HUNGERFORD: Not yet, none have yet been brought to consummation, but there are a considerable number of them on the way.

The CHAIRMAN: Has the Board of Transport Commissioners issued their regulations?

Mr. HUNGERFORD: Yes.

Mr. VIEN: I speak from memory, but I thought that the board's regulations which had first been issued were later, two or three weeks ago, suspended—I do not know whether I am correct or not as to that.

Hon. Mr. HOWE: I do not think so, Mr. Vien. The Act was promulgated some months ago, three or four months ago, and the board's regulations were issued.

Mr. YOUNG: Is it anticipated that there is quite a field there for betterment?

Mr. HUNGERFORD: We expect very substantial developments from it.

Mr. VIEN: If I am not mistaken I saw something in the paper two or three days ago intimating that the system contemplated establishing bus and truck services from the city of Quebec to the lake St. John territory.

Mr. FAIRWEATHER: That is correct, a bus service.

Mr. VIEN: Would it be along these lines, through Roberval and Chicoutimi and then through the national park?

Mr. FAIRWEATHER: No; there are two highways within the St. John territory, one through the park, and one a little to the east of the park, and the application we now have in, relates to the main highway which runs east of the park, the short route.

The CHAIRMAN: Through the transmission line?

Mr. FAIRWEATHER: Yes; we also contemplate, when public convenience and interest warrants service to the park, to apply for that, because we feel we should be the people to furnish that service.

Mr. VIEN: I agree with that. I think many of the bus and truck lines that have been established would be a better utility for the public if the railway were the ones to undertake them. Then, with regard to suburban services, I believe, subject to correction, that the railways might find it more economical to run a bus and truck service than their rail services, and they would have the additional advantage of pick-up and delivery services from door to door.

The CHAIRMAN: Shall we revert to the Montreal terminal?

Mr. DEACHMAN: Mr. Chairman, when we were discussing this before I had asked Mr. Fairweather for some comment on the advantages of the new terminals in the way of freight service. I want to quote here one or two sentences which I ran across to-day, and which I think are interesting. They are taken from the Coolidge report of 1933. He says:

As Mr. Loree has well expressed it, "the large terminal station and the large terminal yard are the graveyard of cars."

Then follows this comment:

If such items as surplus cars, Sunday and holiday delays, and delays due to repairs be eliminated from the calculations, 86 per cent of the time is chargeable to terminal operations and only 14 per cent to the line haul.

He goes on to say this:

More expeditious and regular movement of freight is therefore, conditioned very largely by the adequacy of terminal facilities and the effectiveness shown in their use.

Another comment is:

Terminal costs form a large part of the aggregate cost of furnishing transportation service. The lay public think of railroads too exclusively in terms of road mileage.

Another comment is:

The terminal is a competitive device of major importance. It is difficult for laymen to appreciate how all-important it is for carriers to have terminal facilities as good as those which their competitors enjoy. The explanation rests in the controlling influence which terminal facilities exert over the securing of the line haul. Nearness to the wholesale centre of a city and to the chief industrial districts and direct connection with as many large industrial establishments as possible are of decisive importance in the securing of business.

Now, in view of these comments I should like to have some further information from Mr. Fairweather in regard to the general principle of larger expenditures upon terminals, and also upon the particular efficiency of this terminal in so far as the handling of traffic is concerned and in the advantages of drawing more traffic to the line through providing modern terminal facilities in Montreal.

Mr. FAIRWEATHER: Well, that is a mouthful, but it is very pertinent.

Mr. DEACHMAN: It is such a mouthful I thought possibly you might want to answer it in the morning.

Mr. FAIRWEATHER: That is as the committee may desire.

Mr. WALSH: I believe a large part of it Mr. Fairweather answered in the elaborate statement he read to the committee this morning.

Mr. DEACHMAN: This is a statement by the commission in the United States on this question of applying sound principles, and I wondered if Mr. Fairweather could apply it to Montreal and perhaps to other points.

Mr. WALSH: I think Mr. Fairweather covered it very elaborately in the report he read this morning. I think the report you read this morning covered a full and complete justification for the building of the terminal station and the completion of the terminal plans.

The CHAIRMAN: Can we take it for granted that you agree with it?

Mr. WALSH: I do not agree with the work. I intended to make my position perfectly clear before the committee rose; but I agree with the suggestion that terminals should be developed more adequately than they are in Montreal at the present time.

I am a very strong believer in the union station and union facilities for terminal purposes, but I do not think this is the proper moment from an economic point of view, considering the financial stress generally, to undertake capital expenditures of that nature. That is the only objection I have to it. If we were in a flourishing condition financially I would say, by all means go ahead and build your terminal; but I do not think Montreal is being fairly dealt with in going ahead with this plan without a proper consultation with others who are directly interested. I am thinking of the C.P.R. in particular. And now, one of the questions I had to ask in connection with this was this: was this whole matter discussed by this committee that is presumed to be working on a plan of co-operation? If there is one feature in which railways could co-operate it is in terminal facilities and union station plans. That is one place where they

can co-operate, and if Mr. Fairweather will agree with me in this he will say that terminal facilities and stations are not a contributing factor to a profitable operation of railways; that is, they do not give you a good profit; they are always operated at a loss.

Mr. DEACHMAN: Mr. Chairman, the quotations that I gave are directly contrary to that assertion, and I should like to have a further expression of opinion from somebody.

Mr. WALSH: No, not contrary to what I am saying at all; it bears out what I am saying.

Mr. DEACHMAN: No, not at all.

Mr. WALSH: I go a step further and say, it is a necessary complement to any railway, in fact to any transportation system to have what is recommended there. It is quite a necessary complement, but it is never a complement that is going to be operated at a profit; it is always going to be operated at a loss.

Mr. DEACHMAN: That is directly contrary to this statement. This is what he says:—

Terminals exert a controlling influence over the character and cost of transportation service.

Then he goes on to say:—

The explanation rests in the controlling influence which terminal facilities exert over the securing of the line haul. Nearness to the wholesale centre of a city and to the chief industrial districts and direct connection with as many large industrial establishments as possible are of decisive importance in the securing of business.

If you have good terminals, in other words, you have greater facilities for doing business and you draw more traffic.

Mr. VIEN: I think it has been recognized, and it was submitted to the royal commission who investigated the railways that wherever it is possible, union stations and terminal commissions taking the control of all the railway operations within a terminal area are desirable; but Mr. Walsh has put the following question: have the two railways been consulting each other and have they consulted competent authorities to find out whether this system is best for Montreal? I might state in this regard that this question has been studied since 1927. I was deputy chief commissioner of the Board of Railway Commissioners in 1927 when we directed the Canadian National Railways to provide plans and specifications for adequate terminal facilities at Montreal. Immediately after that the interested parties were convened before the board and it took two years, from 1927 to 1929, for the interested parties to file their suggestions, their individual suggestions, and at that time the Canadian Pacific Railway refused to join in the construction of the terminal and the tunnel, and suggested that we should use Windsor station for westbound trains and Place Viger for eastbound trains. The Canadian National Railways went very thoroughly into this question. They had experts from New York and elsewhere and their reports were filed with the Board of Railway Commissioners.

Then, other interests were also consulted, the Montreal tramways, the city of Montreal and other interests who retained the services of Mr. Williamson and the old Armstrong plan as improved by Mr. Williamson was also submitted, involving some 20 miles of subways, a subway from Montreal south to Montreal north, from a certain point west on Atwater street to a certain point east on St. Denis or something of that kind. It was at that juncture that Mr. Dunning who was Minister of Railways, invited Sir Frederick Palmer, who was on his way back from the Hudson bay to study all the suggestions that were filed, and I recall that Sir Frederick Palmer consulted the Board of Railway Commissioners in that

respect, and finally you have Palmer's report and the presentation of 1929 authorizing the Canadian National Railways to go on with this scheme that had been approved after a very thorough study of all the plans that had been suggested.

Then, in 1929 and 1930 the land was acquired and the various buildings that were in the way were demolished and the big hole was dug. Due to the depression the work was suspended for a time and there was a clamour of public opinion for the construction of these terminal facilities as much in the interest of the Canadian National Railway system which was at a great disadvantage in operating in Montreal, the metropolitan area, as in the interest of the general public using the terminal facilities at Montreal. I believe that there is no gain-saying the fact that adequate terminal facilities for the Canadian National Railways were much overdue and the merits or demerits of the various schemes that were suggested have been exhaustively gone into, to my knowledge, by the most eminent experts that could be invited to offer a suggestion.

I must confess that in my heart and soul I should have liked a terminal company or commission to be set up and all the railways using the Montreal terminals joining in with the city and with the Montreal tramways to give rapid transit and terminal facilities in the district of Montreal; but I realize that it is almost impossible to use compulsory methods to compel either the Canadian Pacific Railway or the New York Central or other railways to use Montreal terminals to come into that city. They may be forced to it in time by force of circumstances but we have to break, in my opinion, the vicious circle somewhere, and no city of the size of Montreal would have endured for ten years the abominable situation that has been allowed to obtain there.

MR. WALSH: I quite agree with Col. Vien in his statement. It seems to me we have set up ways and means to enforce co-operation. I am speaking in the interests of the city of Montreal, one of the large cities on this continent, one of the few cities that will be left with terminal facilities so widely separated, with no union station. If the public enjoys any privilege, it is the privilege of a union station; and I think that privilege ought to be made possible to a large metropolitan city like Montreal. We have the ways and means of enforcing co-operation. We have that enabling Act that was passed. We have the committee set up. If the committees meet and cannot agree on terminal facilities and a tunnel station or union station, then there is another step which might be taken; they might call in the services of the chairman of the board of railway commissioners. Is that right?

MR. FAIRWEATHER: No. I think you are in error there. I think the arbitral tribunal is specifically excepted in the matter of large terminal arrangements. The arbitral tribunal has no power to enforce large terminal arrangements.

HON. MR. HOWE: Do you not think there is a time when you must make up your mind? After all, this thing was studied by every expert worthwhile, and the commitment of over \$16,000,000 a very large cost, was built up on that. After you get to that stage, do you think you are still free to turn around and say, "Maybe we do not want to do this after all"?

MR. WALSH: No. I think the C.N.R. deserves very much improved conditions in Montreal, and I think that some body should be set up. I thought there was the possibility of this co-operating committee along with the Board of Railway Commissioners making it possible to insist on a union station in Montreal. Here is our time to act. Now is the time. If you allow this terminal station to proceed now, it is going to be more difficult in the future to get the different railway lines coming into Montreal to co-operate on union and terminal facilities; at least, that is my impression.

Mr. YOUNG: I should like to ask Mr. Walsh if he knows that the Canadian Pacific would be prepared to join in building this tunnel station.

Mr. WALSH: Very unfortunately I am not in the confidence of the Canadian Pacific; but I am in the confidence of men who are vitally interested in Montreal, largely interested in Montreal—the Board of Trade and others who have been before this committee in years gone by. I know they are interested in the development that I have in mind; Col. Vien is interested in the development I have in mind. There are these ways and means of getting it. I feel that proceeding now with this tunnel station is wrong, first, from the point of view that we cannot afford it financially. Here we are with a report before us of \$54,000,000 in the red this year. But despite that fact we are going ahead with this expansion project. My second objection is that if we have not got ways and means set up already of forcing our railways coming into Montreal to use the union depot and certain terminal facilities, we ought to set up a body which will simply say, "This is what is going to be done" and it will be done.

Mr. McKINNON (*Kenora-Rainy River*): Mr. Chairman, are the Canadian National railways willing to co-operate in the building of the union station?

Mr. HUNGERFORD: Yes, at the tunnel side.

Mr. WALSH: You get the same thing.

Mr. McKINNON (*Kenora-Rainy River*): Just a minute. The reason that the union station has not been gone ahead with is no fault of the Canadian National for not wanting to co-operate?

Mr. HUNGERFORD: The Canadian National Railways is firmly convinced, after years of study, that the tunnel side is far better for a central station than Windsor street. It might be interesting for me to tell you what happened after amalgamation. When I first went to Montreal as operating vice-president of the Canadian National Railways, one of my first duties was to study, or have studied, the co-ordination of terminals all over the country, wherever various constituent lines contacted; and Montreal was easily the largest one to be considered. I was responsible for the inception of private study, secret study, of the whole situation; and I started from the premise of trying to make Windsor street station the central station, by getting both railways in. I very reluctantly came to the conclusion ultimately that it just could not be done on sensible lines, and that is my conviction to-day.

Mr. McKINNON (*Kenora-Rainy River*): In other words, you are willing to co-operate if you have it where you believe the proper place is?

Mr. HUNGERFORD: Yes.

Mr. McKINNON (*Kenora-Rainy River*): And we can assume that the C.P.R. would cooperate if they could have it, where they think the proper place is?

Mr. HUNGERFORD: I cannot speak for the Canadian Pacific.

Mr. VIEN: It is a question of record. The Canadian Pacific have gone on record suggesting that the treatment to be given to the Montreal terminal would be to use Windsor street for westbound trains and the Place Viger and Park Avenue for eastbound trains. But as I say, these submissions have been made in writing, and the estimate of the cost; speaking from memory, the estimate of the cost was also given as being something like \$20,000,000 at that time, of converting the Windsor station and converting the Place Viger. But other experts said that it would be vastly in excess of that. But the C.P.R. estimates, as conformed by the board, I think will reveal—and I speak from memory, but I think you will find it correct—that their estimate was that it would be around \$20,000,000. But that is after this submission of the C.P.R. The C.P.R. objected to going to the tunnel. The Canadian National found that the tunnel was the better site; the Canadian National were willing to accept the Canadian Pacific in the tunnel station, and Palmer says so in his report.

But the Canadian Pacific refused to go there and insisted that if any general terminal was to be built, it should be by using Windsor street and Place Viger.

Mr. McKINNON (*Kenora-Rainy River*): Would there be any other reason beside the financial one?

Mr. VIEN: The financial one was the one put forward and uppermost I think, in the considerations that were suggested; but also there was the fact that the Canadian Pacific had their own tracks and station facilities, and that they could not abandon them on account of their patrons along those lines.

Mr. McKINNON (*Kenora-Rainy River*): And the terminal facilities that the C.P.R. had were adequate for their purposes; is that right?

Mr. VIEN: In their opinion; and could be enlarged to give facilities to the other railways as well.

Mr. YOUNG: I should like very much to congratulate Mr. Fairweather on the statement he made to us to-day with regard to the Montreal terminal. I think he made a very excellent presentation of the facts. Some of us were here years ago right in this very room where there was a model set up of this whole thing; for a whole week, I think, we studied the plan with experts of the railways; and later we had a meeting here and it finally went through the house. But this morning and this afternoon he has convinced me that what was decided at that time was decided in the best interests of the road.

The CHAIRMAN: Quite right.

Mr. YOUNG: Personally, I always feel that if we can have joint terminals, so much the better. But I believe from what we have heard to-day, in addition to what we knew before, that a very strong case—I would almost say an unanswerable case—was made out that the terminal station would be the one station in that area which would serve best for all parties concerned. Another thing I should like to say,—in case it might be taken as the opinion of the committee that this is not the time to do it,—is that my own view is that when we have unemployment as we have to-day, if there is ever a time when governments or government institutions should undertake to give wages to men, this is the time. Any time of depression would be a better time to do it than when there is great prosperity. I should not like to think that Mr. Walsh was voicing my view that this is an improper time owing to any financial stringency which may exist. We can find money for other things. I think we should be able to find money for a useful thing. In my judgment, knowing Montreal as I have for many years, there is nothing more necessary there in that area than a proper terminal facility for the Canadian National Railways.

The CHAIRMAN: Shall the report carry?

Mr. WALSH: No, no. We will come back to the report to-morrow. I want the president to let me know to-morrow at what date the directors of the Canadian National Railways decided to go ahead with the plans of the tunnel station in Montreal. An answer to-morrow will be satisfactory.

The CHAIRMAN: Gentlemen, shall we adjourn until four o'clock to-morrow afternoon?

Mr. WALSH: I have three questions I wanted to submit so that I can get answers, just bringing certain data up to date. I have them here in writing.

On page 55 of the minutes of standing committee on railways and shipping, Wednesday, April 27, 1938, we have a statement in answer to a previous question by myself, covering detail of hotel operation. I should like to have filed and entered in minutes of this year a similar statement covering the calendar year 1938. I do not know whether my previous question on hotels covers that or not. If it does not I should like that question answered.

Condensed income statement, including profit and loss, of the Canadian National Steamships (Pacific coast) for the years 1937 and 1938.

I should like this to be similar to statement for the year 1936 filed with the select standing committee on railways and shipping, March 23, 1937, appearing on page 225 of the printed proceedings for that year.

Then a statement showing for each year, 1932 to 1938 inclusive, freight service and passenger service (separately), (a) revenues, (b) expenses, (c) net operation, (d) ratio revenues to expenses. Also capital investment in freight train cars and passenger train cars.

This information was supplied by Mr. Fairweather for the year 1931. See minutes of proceedings and evidence of the select standing committee on railways and shipping for May 12, 1932, page 337.

The CHAIRMAN: The committee stands adjourned until 4 o'clock to-morrow afternoon.

(At 6.10 p.m. the committee adjourned to meet again at 4 p.m., Wednesday, April 19, 1939.)

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*Railway Problem, Special
Committee, 1939*

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PROCEEDINGS

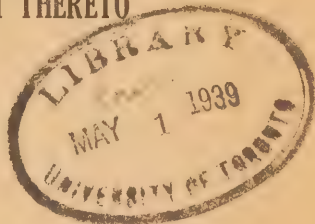
OF THE

SPECIAL COMMITTEE

Appointed to

ENQUIRE INTO AND REPORT UPON THE BEST MEANS OF RELIEVING THE
COUNTRY FROM ITS EXTREMELY SERIOUS RAILWAY CONDITION
AND FINANCIAL BURDEN CONSEQUENT THERETO

No. 7



The Right Honourable George P. Graham, P.C., and
The Honourable C. P. Beaubien, K.C.,
Joint Chairmen

CONTENTS:

Communication dated 19th April, 1939, from Mr. D. C. Coleman, Vice-
President, C.P.Ry. Company.

WITNESS:

Mr. Harvey H. Black, Financial Publisher, Montreal (Resumed).

OTTAWA

J. O. PATENAUDE, I.S.O.

PRINTER TO THE KING'S MOST EXCELLENT MAJESTY

1939

ORDER OF APPOINTMENT

(Extracts from the Minutes of Proceedings of the Senate for March 7, 1939)

Resolved,—That, with a view of completing the inquiry pursued during last session by the Special Railway Committee of this House, and preparing and submitting an adequate report on such inquiry, this Special Committee be re-appointed with a view to inquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, with power to send for persons, papers and records and that the said Committee be re-appointed with the same personnel and, therefore, that it consist of the Honourable Senators Beaubien, Black, Buchanan, Calder, Cantley, Côté, Dandurand, Graham, Haig, Hugessen, Horsey, Jones, Hardy, McRae, Meighen, Murdock, Parent, Robinson, Sharpe and Sinclair.

MINUTES OF EVIDENCE

THE SENATE

WEDNESDAY, April 26, 1939.

The Special Committee reappointed to inquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, met this day at 11 a.m.

Right Hon. George P. Graham and Hon. C. P. Beaubien, Joint Chairmen.

The CHAIRMAN (Hon. Mr. Beaubien): Are you ready to proceed, gentlemen?

I should like to communicate to the Committee a letter which I have received from Mr. Coleman of the Canadian Pacific.

Mr. FLINTOFT: I have copies of that letter.

Hon. Mr. DANDURAND: I should like to know first what is in the letter. Mr. Flintoft yesterday, uninvited, gave the views of the Canadian Pacific on the Union Station in Montreal—

The CHAIRMAN (Hon. Mr. Beaubien): This has nothing to do with the terminal.

Hon. Mr. DANDURAND: —so I should like to know the right of the Canadian Pacific in presenting to us their views on that question.

Hon. Mr. PARENT: I think Mr. Flintoft offers every member of the Committee a copy of that letter, so there will be no harm in us reading it.

The CHAIRMAN (Hon. Mr. Beaubien): I was waiting for the permission of our leader, to see if the letter could be read without danger.

Hon. Mr. DANDURAND: I want to know what it covers.

Right Hon. Mr. MEIGHEN: It will be all right if it is only on one side of the issue.

Hon. Mr. DANDURAND: There is no issue on the Union Station in Montreal. That is the point.

The CHAIRMAN (Hon. Mr. Beaubien): I have been allowed to communicate the letter to the Committee.

Hon. Mr. DANDURAND: I understand it does not bear on the location of the Union Station in Montreal.

Mr. FLINTOFT: I think this letter is not tainted. I am going to offer you some more help on the Montreal terminals afterwards, but at this stage we are dealing with another phase.

The ASSISTANT CLERK OF THE COMMITTEE (reading):

19th April, 1939.

The Right Honourable GEORGE P. GRAHAM,
The Honourable C. P. BEAUBIEN, K.C.,
Joint Chairmen,
Special Railway Committee of the Senate,
Ottawa, Ont.

HONOURABLE SIRs:—During the presentation to your Honourable Committee last year of the evidence in support of the estimate of savings from unification prepared by the officers of the Canadian Pacific Railway, the question was raised, on various occasions, as to the effect on the amount of economies possible which would result from the decline in the combined expenditures of the two companies which had occurred between 1930—the year used as a basis for the original estimate—and 1937.

The economies made during this period comprise:—

(a) Co-operative savings secured by joint action which would correspondingly reduce the amount of the potential savings;

(b) Economies due to a reduction in the volume of traffic which, to the extent they occurred in duplicate services, would reduce the opportunities for economy, and;

(c) Unilateral economies made by the two companies apart from volume of traffic which by their very nature would be largely outside the field of economies estimated to be possible by the elimination of duplicate facilities and services.

It was admitted that the effect on the estimate should be only to vary it approximately in proportion to the lessened volume of combined expenditures (Mr. Fairweather, p. 204 and p. 206). A calculation on the basis of this assumption was submitted by Mr. W. M. Neal in evidence on June 2, 1938 (page 985) which showed that on the basis of the 1937 volume of traffic the annual savings could be estimated at approximately \$59,740,000.

Immediately after Prorogation of Parliament, I instructed a committee of our officers to prepare a detailed estimate based directly on the operations of 1937, and this study has recently been completed. The same general methods were followed as in the original estimate, and the same care was exercised. Full consideration was given to all criticisms of the original study which had been offered.

This second estimate indicates that under the traffic and business conditions which prevailed in 1937, annual savings of \$56,346,000 could be effected after making adjustments necessary to provide for the fact that the normal rates of pay in force in 1930 and now again in effect, were only in process of restoration in 1937. This figure makes no provision for any saving resulting from abandonment of lines. Assuming such abandonments as we believe the Board of Transport Commissioners would authorize in the event of unification under present conditions, the estimate is increased to \$59,361,000.

The close correspondence between these figures and those arrived at by reducing the original estimate in proportion to the reduction in the combined expenditures of the two companies between 1930 and 1937, confirms our belief that the original estimate can be taken as a valid one, and that a conservative figure of the annual savings to be obtained by unified operation under conditions as of 1930 is in the neighbourhood of \$75,000,000.

Full details of the estimate, based on conditions which prevailed in 1937 can be furnished if it be desired, and can be supported by evidence of the officers who prepared the report.

I have also asked these officers to prepare a memorandum replying to the criticisms offered by Canadian National officers in respect of the estimate of savings based on the conditions of the year 1930, and this memorandum will be available for filing with you within a few days.

Yours very truly,

(Sgd.) D. C. COLEMAN,
Vice-President.

Mr. FLINTOFF: I may say, sir, that the memorandum which is referred to will be available to-day, and I will let you have it later.

May I be permitted, sir—I am watching Mr. Dandurand, because he is probably going to stop me—but in view of the request of several members of the Committee yesterday I have here a map which we prepared of the Montreal

Terminals Station, and I should be glad to have it hung on the wall if the Committee so desires. I think it would prove of interest, as it shows—whether you hear from us or not—the general layout of Montreal and the railway lines present and proposed.

Hon. Mr. DANDURAND: I would suggest that this matter be suspended until we reach the question of the advisability of examining into the location of the Union Station in Montreal. Just now Mr. Black has the floor. The Canadian National also has a map, if we should decide to go into the location of the Union Station in Montreal.

Mr. FLINTOFT: We should be very glad to have them both up.

Mr. HARVEY H. BLACK was recalled as a witness.

Hon. Mr. HAIG: Mr. Chairman, I do not want to stop Mr. Black, but I wonder if he could either read a little faster or shorten up a little as he goes along. We have his brief here, in any event, and I am quite willing that should go on the record. But at the speed he made yesterday, he will be at least two more hours reading.

Hon. Mr. DANDURAND: No; I think that thirty-five or forty minutes would be enough to enable him to finish.

Hon. Mr. HAIG: He covered only about ten pages in the time we were here yesterday afternoon.

The WITNESS: I was not proposing to read the recommendations, Senator, because they are just a summing up. There are seven or eight pages dealing with the United States situation and the British situation, and I was proposing to refer to two or three points in these and not read them in full. I think I can shorten it up very much.

Hon. Mr. BLACK: Mr. Chairman, could Mr. Black not give us a resumé of the remainder of his brief, and read only anything which is very important? We have a lot of work to do. We shall not get through with this brief before one o'clock unless he summarizes it.

The CHAIRMAN (Hon. Mr. Beaubien): Mr. Black, you express yourself very clearly. Could you not just state to us the difference between your suggestion for co-operation and co-operation as it has existed up to now?

The WITNESS: As I see it up to now, there have been only two parties dealing with various proposals for saving, the two railways. There were technical committees and an executive committee; the technical committees have been dealing with certain details, and reporting to the executive committee, the final decisions being made by the executives. I did want to understand what has been stopping the work from being done, so I have spoken to a great many railway men about it. Apparently, when dealing with a proposal, one railway would say to the other: "You have got to give us something to even that up. We are giving you so much, and you are not giving us enough in return." The other day I was talking to a C.P.R. man, who mentioned a certain pooling arrangement. He said that between such and such a point and another point the Canadian Pacific has carried up to the present time about 80 per cent of the total passenger traffic carried by the two railways. He said "Obviously, when each of us have several trains, we are not going to cut our trains in two and have the other people cut their trains in two and divide the savings or the total traffic, because our share of it predominates."

Now, apart altogether from the natural differences between the two railways and difficulties in making progress, where each road had to make sacrifices, I think that the main weakness in co-operation was this. First of all, there was no neutral person to get them together in their consultations. But more particularly, there was no automatic way of having the difference—say the 80 per cent here and the \$2 and the \$1 there—settled by some outside, independent,

impartial body. At one place in the evidence given before this Committee the word "Contentious" was used. The witness, representing one railway, said in effect: If we, after consulting and trying to co-operate with the other railway, had told them we were going to refer this to somebody else, to an arbitral tribunal, we would have introduced a contentious element into the relations between us. In another place it was said that it would destroy or injure the cordial relations existing between the two roads. That might be important if a great deal of progress were being made, if the cordial and non-contentious relations were such that the railways were able to agree upon ten or twenty or thirty or forty plans which showed reasonable prospect for savings, if they were able to work together about them. But the fact is, apparently, that although proposals have been made for possible savings all across the country, for savings that one railway said could be effected under unified management, the railways were able to agree on only a few, and the net result of their agreements over five years was only about one and three-quarter millions of dollars.

One thing in the evidence struck me very forcibly. Last session a witness mentioned a certain proposal, the formula for which had been agreed upon a way back in October, 1934, I think; but last summer, nearly four years afterwards, the saving had not been made. Why? Because, apparently, they could not agree on details. I would have the law changed so that in such cases and lots of others the particular proposal would be sent to some arbitrating body. Then that impartial body, understanding the whole situation, could decide what should be done.

I think, too, that one difficulty has been too many individual proposals. It seems to me the proper method is not to say, "We are giving up \$100,000 here and you will have to give up \$100,000 somewhere else." I think that ten, twenty or thirty proposals should be considered together and balanced up. Each railway has to make certain sacrifices. If there were some outside body, to whom reference would be compulsory in the event of disagreement, there would not be deadlocks between the railways and progress could be made.

By Hon. Mr. Horsey:

Q. There would not be compulsion with regard to their decision, though?—A. No. I was inclined to think at first that more progress could be made by compulsion. Physically you could, of course, but I do not like the idea of introducing compulsion on any railway or company. There are various reasons for that.

Q. You think your plan would facilitate decisions. But would it? That is the point.—A. I am a firm believer in public opinion in the long run. I think that if the whole situation were laid before the public at least every six months, and laid before Parliament too, so that the people would be told what the arbitral tribunal had recommended and what the attitude of the railways was, you would take the ground from under the feet of a railway which was not willing to follow the tribunal's recommendation. You do not need experts to enlighten the people when facts are placed before them. I will accept the opinion of the public at any time, even on investments.

By the Chairman (Hon. Mr. Beaubien):

Q. That is your first point?—A. Yes.

By Hon. Mr. Dandurand:

Q. You were at page 10 of your statement?—A. Yes, but a question was asked me by one of the Chairmen, Senator Beaubien.

[Mr. Harvey H. Black.]

By the Chairman (Hon. Mr. Beaubien):

Q. Can you summarize your other points in the memorandum just as briefly? Your first point is very clear.—A. I will try to do that.

By Hon. Mr. Dandurand:

Q. There is one feature in your statement that interests me very much. That has to do with the loss suffered by the two railways because of highway competition.—A. I will just refer to that, Senator.

By the Chairman (Hon. Mr. Beaubien):

Q. That is your second point, I take it?—A. Yes, my second point, sir.

Q. Will you give us that now, in your own language?—A. The second point is this. I do not believe any proposal that has come before us concerning merely the railway operations in the relations of one company to the other can produce nearly as great savings as could be produced if we were able in some way to regulate highway traffic in relation to its competition with the railway. The reasons why highway traffic, as it has existed right from the start, is very unfair in so many directions to the railways. I think we can take that for granted. For one thing, it is unfair because a truck can take any traffic it wants, it can pick and choose, while the railways are common carriers and must take everything that is offered. In other words, the railway is a public utility, and the truck is not; the truck has no obligation to the public. I tried to get an estimate of the growth or decline of railway traffic in relation to what we call this index of physical volume in Canada. What I present on page 10 is the nearest I could get. I do not want it to be taken literally. As I said yesterday, this index of the Dominion Bureau covers so many things, such as production of mines, of gold, silver, lead and zinc, of agricultural products and various things that move through the country, coal and other products. But this was the nearest approach I could find to what might be considered transportation possibilities. The railways have fallen very far short of getting their share in relation, we will say, to conditions as they existed in 1926. I will just refer to one or two points brought out by the table on page 10. At the bottom of the table you will see that in 1926 the gross revenues of both railways amounted to \$469,000,000. We will call that 100 per cent of the railway business, and we call the index of physical volume of business, for that year, 100 per cent. The figures for 1932, which was the lowest year for business volume in the depression, are given immediately above those for 1926. It so happened that 1933 was the lowest volume for gross revenue of the railways. I checked that up. There were two reasons: there was less wheat moving in 1933 than in 1932, and some mineral production was less.

In 1933, railway business was down 44 per cent, but the index of physical volume was down only 21 per cent. The railways lost more than double what the index showed.

When you get back to 1938, the business index was 112, that is, 12 per cent above what it was in 1926; but the railway volume was 31 per cent below. Business was up 12 per cent, but the railway volume was still 31 per cent below.

The recovery of business from the low of the depression to 1938 was 42 per cent, and the recovery of railway revenues was only 13 per cent.

At the bottom of page 11, I have just applied that index. Index of business was 112½ per cent in 1938. That is, 12½ per cent above what it was in 1926. I added that 12½ per cent to the \$469,000,000 of railway business in 1926, and it would have amounted to \$528,000,000. The actual volume of the railways revenues last year was only \$324,000,000. So there is a difference of over \$200,000,000.

I am not saying all that loss of \$200,000,000 in relation to that index would have been held by the railways. I am not saying it is even an absolutely correct balance of their loss of transportation business, but I do think it gives us some idea of the terrific and hurtful competition of the truck business.

There is another point in getting it down to the net. In 1938 the net operating revenue of the C.P.R., after paying interest and all other charges, available for dividends, plus the net operating revenue of the C.N.R. which would be available for paying interest on its funded debt, was barely \$27,000,000. On a volume of gross business of \$528,000,000—which is very close, one is up and the other down—as compared with what it was in 1928 and 1929, on that basis of those two years we would have had a net revenue for the railways of \$100,000,000, and we would not have had much of a railway problem. We lost, I think, through truck competition, a very considerable part of that theoretical difference, or paper difference if you like, of \$70,000,000 in that earning on the two levels.

Hon. Mr. PARENT: \$70,000,000?

Mr. BLACK: Yes, \$70,000,000.

Hon. Mr. McRAE: Do I understand you, Mr. Black, to favour controlling the competitive services so as to restore a major portion of this loss to the railways?

Mr. BLACK: I think those competitive services should be regulated, not to the extent that their charges would be brought up to the charges of the railway, nor to the extent to which restrictions of competitive services could fairly be made as fixed as those binding on the railways, but I do think that a great deal could be done, and all sorts of things, hours of labour and rates charged, and so on, for hauling commodities—

Hon. Mr. McRAE: Your first object is to restore a considerable portion of this loss to the railways?

Mr. BLACK: I feel we could restore it. That is not a personal assumption, because it is on the basis of the possibility of restoring a great deal of that that the whole present plea of the English railways was brought before the Minister of Transport late last year. He did not even suggest an alternative. All the railways combined in November and went before the Minister of Transport. They told him things were getting very serious. One statement was that on half the equities of the four British railways there was no income to the holders. They asked him to bring in legislation to remove all restrictions on the railways absolutely. Immediately you had the coal people, the steel people and others depending on the railways saying, "If you do that you are going to overcharge us; there is no competition with the trucks." The railways guaranteed they would treat fairly their customers in the heavy industries. I will refer to that later. But I am assuming it on this ground. First of all, there is a picture—I am not saying how correct—of a terrible heavy loss. I asked a railway man a short time ago if he had any idea of the net loss to the railways through trucks and bus competition. He said, "I think we are safe in saying over \$50,000,000 net a year." How much of that you will get back I don't know, but I think you should make a very serious effort to get it back.

Hon. Mr. PARENT: How can this be prevented?

Hon. Mr. BLACK: There were two proposals. The railways wanted all restrictions removed so they would be absolutely on a level to meet cut-throat competition from the trucks in any way at all.

Hon. Mr. SINCLAIR: In rates?

Mr. BLACK: And all sorts of things, what in the United States is called long and short haul, and various other things. The railways proposed an absolute removal of all restrictions. Some of the heavy industries who are so

[Mr. Harvey H. Black.]

dependent on the railways, said, "Well, that would not be quite safe." So what was done was with the help of the Minister of Transportation, who, fortunately for the railway situation in England, has authority, I think almost as great authority, over highway traffic as over rail traffic. I think I am right in that. He proposed, "No, don't do this, but get together with the truck men." On page 17 I make a reference to that. Perhaps if I read that now it will serve to clear up this question, Senator.

The CHAIRMAN (Hon. Mr. Beaubien): That refers to the English situation?

Mr. BLACK: Yes; because they have results a little more definite than in the American situation.

The CHAIRMAN (Right Hon. Mr. Graham): Speaking for myself, I am quite befogged on what is the British situation. It does not agree to-day with what it was declared to be a few months ago.

Mr. BLACK: At the top of page 17 I feel is the way in which England is solving her railway problem. By reading it I shall get through more quickly. I say:—

In England, so-called amalgamation, which still has left four independent railway systems, has not solved the railway problem. Conditions still continue as a serious menace to maintenance of adequate earning power. So much so, that representatives of the railways, late in November last, waited upon the Ministry of Transport to urge the removal of government restrictions on the railways in order that they might be left free, and so better armed to wage war on what was declared to be the real problem, highway competition.

In the end, a plan for co-operation between the railways and the truck organizations, or "haulers" as they are termed, was proposed and a "square deal" agreement was worked out. Both groups agreed to set up a "Central Consultative Committee" to arrange measures of co-ordination, and the railways, in turn, gave certain guarantees for the protection of industry, in the event that existing restrictions on rates and other conditions were removed or relaxed.

Then I quote here a summary which I saw in the *Manchester Guardian* in February last of the progress that had been made. I will not read all of this. Some points will be a little difficult, I imagine, for those who do not understand—and I do not—some of the details of the English A, B and C system of licences. These are two paragraphs of the summary:—

The effect of the plan is that the railways will restrict objections to certain types of hauler licences for two years after receiving their freedom. The two industries agree to establish a Consultative Committee to arrange measures of co-ordination and deal with difficulties, and there are safeguards for the protection of industry in the form of right of appeal to a tribunal.

An official statement issued at the end of the meeting said that the road haulage industry, subject to safeguards, will raise no objection to the "square deal" proposals. The two industries have drawn up a joint memorandum. Both the railways and the road-haulage industries hold the view that due regard must be given to the ultimate objective of co-ordination of all forms of transport. They are convinced, however, that it would not be practicable to apply to road transport the present railway rates structure with its elaborate classification, restrictions and obligations.

Senator, I think that will answer your point in regard to the identity of conditions. This is the third paragraph:—

In order to afford road haulers greater freedom to negotiate agreements for the co-ordination of their own industry, the railways have given

an undertaking that they will not, unless there are exceptional circumstances, raise objections for two years after they have been given their freedom to applications for—

I will not read the particulars following that paragraph.

Hon. Mr. CALDER: Mr. Chairman, why should we take up our time going into this question of transport by trucks and buses, and so on? I thought we had dealt with that pretty fully, and that we came to the conclusion that we are in a field where we have no jurisdiction at all except so far as interprovincial traffic is concerned.

Hon. Mr. PARENT: But no remedy has been offered. The witness is giving some idea of the remedy.

Hon. Mr. CALDER: He is giving us the idea of a remedy that exists in England, where they have full jurisdiction. That is an entirely different situation. I have very grave doubts whether this evidence as to trucks and buses is going to be of any service at all.

Mr. BLACK: In answer to Senator Calder I wish to say that I quite understand the absence of jurisdiction. If there had been jurisdiction there would have been four departments in the Ministry of Transport instead of three. But I do not think the Railway Committee, in seeking to find a remedy for the serious state of affairs that exists in the Canadian railways, might well add to any plan that comes within the jurisdiction of the Federal Government, and therefore can be implemented by legislation, a very strong recommendation that the Dominion Government do its best to secure the co-operation of the provincial governments, because I do feel that the well-being of the C.P.R. and the Canadian National is absolutely as important to Ontario and Quebec as it is to the Dominion.

Hon. Mr. CALDER: I am sure every member of this Committee realizes that, Mr. Black. We have had the situation placed very clearly before us.

Mr. BLACK: Will you forgive me, senator, for even trying to suggest that if the Senate Committee allow their recommendations in regard to solving the railway problem of Canada to be limited to railway operation alone, and omit any reference to the other on the ground that they have no jurisdiction over it, I think they will fail to take advantage of an opportunity of impressing on the provinces the tremendous importance of working with the federal authorities in an effort to secure some fair highway traffic regulations for the railways.

May I mention one other thing?

Hon. Mr. ROBINSON: If the Dominion cannot do anything to regulate highway traffic, it can do something to relieve the railways and give them a chance to go in and compete.

Mr. BLACK: Oh, yes.

Hon. Mr. CALDER: As we have done in the agreed charges.

Hon. Mr. ROBINSON: They may be able to go further.

Mr. BLACK: Yes, the agreed charge is absolutely an example of that, because it does give the railway a leverage in competing. But I would urge very strongly that the Senate Committee express the hope, at all events, or recommend to the Government that it take up this question immediately with the provincial authorities.

The CHAIRMAN (Right Hon. Mr. Graham): You would have to have someone take it up with several governments.

Mr. BLACK: As far as I have followed it, there are two provincial governments that have insisted fairly strongly on their jurisdiction over the highways—Ontario and Quebec. I do not know that the others have done so.

Right Hon. Mr. MEIGHEN: They have all done so.

[Mr. Harvey H. Black.]

Mr. BLACK: But I came across an instance where the provincial authorities did have an opportunity of deciding as between the railway and truck competition. I saw a small item in the paper some time ago and followed it up.

Hon. Mr. CALDER: See, Mr. Black, the truck and the bus are here to stay. They provide a great public service. Do you think the local governments of this country are going to place such restrictions on the use of the bus and the truck as to increase the cost of transportation to the public?

Mr. BLACK: Senator, my answer to that—and that point was raised by a witness a short time ago, who said he would not interfere with the public getting transportation at the lowest cost possible—is that that was very short-sighted and absolutely unsound. I do not believe for one moment the public themselves will benefit if you permit service below cost by anyone. I think in the long run it is hurtful to the community.

Hon. Mr. CALDER: Won't that correct itself in the course of time?

Hon. Mr. BLACK: No, I don't think it will.

Hon. Mr. CALDER: You know it will.

Mr. BLACK: No, senator, it may be a long time. I do not think that should be allowed to run so long without control.

Hon. Mr. CALDER: What do you mean by control?

Mr. BLACK: Control of rates, wages and the hours of the men working on the trucks. The railways are so important to Canada that I do not think we can afford to let them be hurt by unfair highway competition, and I do not think the highway can afford it either.

Hon. Mr. PARENT: Do you know of any business that can be run at a loss all the time?

Mr. BLACK: Not all the time, but for a long time.

Hon. Mr. HAIG: I know of a business that has been run at a loss for a long time. Take the C.N.R. for instance.

Hon. Mr. PARENT: Oh, that is supported by the Government.

The CHAIRMAN (Hon. Mr. Beaubien): I think your plea, Mr. Black, is not necessary here. We are all converted to that view. If it was made to the Provincial Governments you would have something different.

Hon. Mr. CALDER: Then you would have difficulty.

Mr. BLACK: May I give one instance?

The CHAIRMAN (Hon. Mr. Beaubien): I think we are very well convinced of that.

Hon. Mr. ROBINSON: We would like to hear the instance.

Mr. BLACK: The Lake Saint John Railway covers points on 226 miles of line between Dolbeau, Chicoutimi and other places in Quebec. There is some bus competition there, but two men applied to the Public Service Commission of the province of Quebec for permission to inaugurate a bus line which would be in competition. The railway said, "That is not fair. We carry passengers in the winter at a very great cost. If you allow additional competition to come in and take away the cream of the business in the summer, we are not going to be able to give an adequate winter service."

Hon. Mr. PARENT: You are now referring to the proposed line from Quebec City to St. Urbain.

Mr. BLACK: Yes.

Hon. Mr. PARENT: The railways are not opposing it, because they have made application to the Public Service Commission with a view to having that line maintained by a subsidiary.

Mr. BLACK: What I was referring to was the application of two men to run a bus line which would be in competition with the railways. But the Public Service Commission denied the application on the ground that it was not fair to the railway, and the railway came back and said, which I think is absolutely sound, "We will operate a bus line on a shorter route than the 226 miles, and will give you a service to Quebec \$2 cheaper than we could give it by the railway under existing rates." So the railway provided this service and tried to co-ordinate it with the railway service.

The provincial authorities recognized the railways and treated them fairly and refused to permit competition. So I do not think the provinces are so utterly hopeless in regard to the fair treatment of the railways.

Right Hon. Mr. MEIGHEN: Do I understand you to say that if the Dominion Government could take control of all this bus and truck traffic—and I think there is a way in which it could—you would be in favour of government regulation and fixation of wages and hours of work on the whole bus and truck service of Canada? Do you think you would find a cure in that direction?

Mr. BLACK: I think you would find a partial cure.

Right Hon. Mr. MEIGHEN: What are you going to do about the primary producers? If by overriding legislation you are going to fix everything of that sort, what kind of compensation can you make to the farmers? Are you not on the road to Fascism?

Mr. BLACK: I do not think so, sir.

Right Hon. Mr. MEIGHEN: I think you are. Every time you regulate you are loading the primary producers.

Mr. BLACK: The only answer I would give to that is to refer to what they are doing to-day in England. If they can do it, we can, in fairness to the primary producer—

Right Hon. Mr. MEIGHEN: They are not seeking to fix all rates, fix all wages and fix all hours.

Mr. BLACK: I think the wage question is gradually working itself out, because the provinces themselves are putting in wage regulations.

Right Hon. Mr. MEIGHEN: I do not doubt that is being done, but what I am emphasizing is the fact that in every step you take you put an added burden on the primary producer, who to-day is our principal problem. He is a bigger problem even than the railway.

Mr. BLACK: I quite grant you that.

Right Hon. Mr. MEIGHEN: We could take control of all this traffic; we could declare every highway in Canada to be for the general advantage of Canada; we could say, "Here, we are going to put railway wages into effect on the highways;" but every time we would simply be making the lot of the primary producer worse.

Mr. BLACK: Is it sound to say the primary producer cannot afford to pay a fair cost.

Right Hon. Mr. MEIGHEN: He cannot afford to pay ten times what he gets himself for the same kind of work, and that is what is being done to-day.

Mr. BLACK: I am not suggesting putting the rates on the highways up to the rates on the railroad.

Right Hon. Mr. MEIGHEN: You are going to cure everything by adding to some other cost.

Mr. BLACK: I still think it is sound that we should not permit transportation at less than a fair cost.

Right Hon. Mr. MEIGHEN: You had better run the farms too, then.

Hon. Mr. HAIG: Eighty cents for wheat!

[Mr. Harvey H. Black.]

Hon. Mr. BLACK: Order!

The WITNESS: In the table on page 12 I show that passenger traffic has been hurt much more than freight traffic.

Hon. Mr. CALDER: We know that pretty well too. We have got rafts of figures on that situation.

The WITNESS: I will not make any reference now to pages following that, namely, pages 13, 14, 15 and 16, which refer to conditions prevailing in the United States. I think they are interesting as throwing some light on our Canadian situation.

By Hon. Mr. Robinson:

Q. They are similar to ours, are they?—A. They are similar to ours, except in one respect. They propose certain things with regard to railways in bankruptcy. That situation, fortunately, does not apply to Canada. But in other respects, as to co-ordination and highway competition, I think the situation is identical with that in Canada.

Q. You said that fortunately that condition—of railways being in bankruptcy—does not apply to Canada. May I ask what your view would be if it did apply to Canada? If defaulting railways in 1918 to 1921 had been placed in the hands of receivers, would we have the same question before us to-day?—A. Senator Murdock, when I mentioned regulations or proposals with regard to financial reorganization, these were mostly technical ones, facilitating various groups of railways getting together or the cutting down of first mortgage bonds and so on, fixed charges. It is a matter of internal reorganization of the financial condition of the railways.

May I go on to page 20? It deals with the importance of the railways from the public standpoint. I give two or three instances there of the tremendous value of our railways in connection with the development of mines and other things.

Hon. Mr. CALDER: That is self-evident. I am sure every member is cognizant of the fact that our railways are the life-blood of the country. The country cannot exist without railways.

The WITNESS: I just use these as illustrations of what I feel is very important, that we should do nothing to hurt our railways purely because one is showing a deficit and the other is not paying dividends on its preference and ordinary shares. I worked out a few figures, on pages 20 and 21.

By the Chairman (Hon. Mr. Beaubien):

Q. For what purpose, Mr. Black? That the country needs railways is evident to everybody.—A. There is a feeling in the public mind, amongst a good many people, that because in 1937 we had to take out of public funds \$42,000,000 to pay the difference between what the Canadian National earned and what its interest cost, and in 1938 we had to take \$54,000,000 for the same reason, that the Canadian National is not much of an asset to Canada and that we had better, as someone said, sell it to a private company for \$1.

Right Hon. Mr. MEIGHEN: Of course, that is all nonsense.

Hon. Mr. CALDER: You did not hear that in this Committee.

The WITNESS: I refer, on page 20, to the Noranda mines. In the last eleven years they have produced gold and copper to a value of over \$150,000,000 and paid out in dividends \$48,000,000. Yet all that wealth was dependent upon the building by one of our railways of 44 miles of spur from Taschereau, I think, to Rouyn, at a cost of \$3,250,000.

By the Chairman (Hon. Mr. Beaubien):

Q. Is it not a fact that nearly all our mines have been discovered on account of extension of the railways throughout the country?

Hon. Mr. CALDER: And, now, through the air.

Hon. Mr. PARENT: Minerals are not found in the air.

Hon. Mr. McRAE: No, but men and materials are transported to mines through the air.

The WITNESS: On page 21 I refer to the Hudson Bay Mining and Smelting Company. About \$60,000,000 has been invested in it, and nearly \$25,000,000 of new wealth comes forth every year. Yet the Canadian National line, the opening of which was essential to the birth and growth of the mine, cost only \$9,000,000 to construct. That line does not pay yet, it adds to the Canadian National's deficits, and yet from the public standpoint I think we can well afford to pay what that line loses.

By Hon. Mr. Haig:

Q. I know that mine. I just wonder if what you say is true. Who made the profit out of that mine?—A. I do not think there has been much profit made yet.

Q. The New York man who bought it originally made the profit, and nobody else. All you are getting now for every dollar you put into it is interest on your money.—A. Plus a tremendous amount of labour.

Q. But the men are giving service for that. The man who made the profit out of that mine is the man who bought it originally.

Hon. Mr. PARENT: And now the Bank of Canada gets gold from it for the benefit of the country at large.

The WITNESS: I think in the case of every mine in Canada, whether the stock in it is owned outside Canada or not, there is first of all a large investment. Some \$60,000,000 has been spent on that line, every cent of it in Canada.

Hon. Mr. HAIG: He paid about \$1,000,000 to the original discoverer and by getting the railroad in there his property became worth \$15,000,000. He is the man who should have built the railway, and not we people of Canada. That is my contention. And the same is true of Noranda.

The WITNESS: Except that at the beginning there was no profit.

Hon. Mr. HAIG: Why should I, a taxpayer, build a railroad in order that Whitney of New York might have the value of his investment raised from \$1,000,000 to \$15,000,000?

Hon. Mr. DANDURAND: What has Canada received in return?

Hon. Mr. HAIG: Nothing.

Hon. Mr. DANDURAND: I will not admit that.

Hon. Mr. PARENT: It is a big asset for the railway.

Hon. Mr. HAIG: It is not a big asset for the railway.

Hon. Mr. CALDER: It is a big asset for the country, no matter where the capital comes from.

Hon. Mr. MURDOCK: Mr. Black's memorandum—I do not know whether it is correct or not—says: "Some \$60,000,000 has been invested in it, most of it coming from outside Canada, and nearly \$25,000,000 of new wealth comes forth each year. That mine is known, in every mining circle in the world, as 'Hudson Bay Mining & Smelting,' and the absolute condition of its birth and growth was a branch line of the Canadian National Railways, that cost \$9,000,000 to construct, and does not yet pay. Would you call that deficit in operating cost a debit or a credit item for Canada?" We all know that wealth would not have been produced if we had waited until Whitney of New York had built a railway.

[Mr. Harvey H. Black.]

Hon. Mr. HAIG: The point is that we do not get the wealth. The fellow who owns the mine gets the wealth.

Hon. Mr. CALDER: Let me tell a story. I know that country. I was on the spot in the year 1917—

The CHAIRMAN (Right Hon. Mr. Graham): Only once?

Hon. Mr. CALDER: Just once. I visited the little mine, which in those days was called Mandy copper mine. A man by the name of Robinson was the manager. I was intensely interested in it. It was far away from civilization, there being no railway nearer than 90 or 100 miles. They were operating a perfect little plant there, with the most modern machinery and electric light. Remember, this was during the war days. In the winter months they hauled the ore by sleigh 90 miles to The Pas and sent it up to Trail to be smelted, and their net profit was in the neighbourhood of \$50 a ton.

Hon. Mr. HORSEY: Were the Mandy owners Americans or Canadians?

Hon. Mr. CALDER: Americans.

Hon. Mr. HAIG: Whitney bought them out, took an option on the mine.

Hon. Mr. BLACK: I wonder if Mr. Black has anything further to say about these alternative schemes. We have had all this before. It is very interesting, I admit, but time is short.

Hon. Mr. HAIG: Is this whole brief going on the record, or just what he says?

Hon. Mr. SINCLAIR: The whole thing.

Hon. Mr. HAIG: Then I want to check him about the bottom of page 21, where he deals with what he calls the railways' subsidy to wheat growers.

Hon. Mr. DANDURAND: Would you allow Mr. Black to read that so that we may know what it is about?

The WITNESS: It reads as follows:—

Just one more reminder of our debt to the C.P.R. and the C.N.R. It is well known that in Canada existing grain rates are the lowest relatively of any country in the world. For an area that extends from the far west to the eastern terminal of the Hudson Bay Railway, grain rates are to-day in force that date back to the original Crow's Nest agreement of 1897—42 years ago. I have asked railway men for estimates as to what subsidy the railways are paying to our wheat industry in providing transportation at excessively low rates. The answers have run—for an average wheat crop—from \$20,000,000 to \$30,000,000 a year.

One railway man gave me an estimate of \$20,000,000 and the other gave me an estimate of \$30,000,000.

By Hon. Mr. Haig:

Q. You say in your statement that in 1937 there was a falling off in railway transportation which was partly accounted for by a short wheat crop, and last year the same thing was true.—A. I am not suggesting that the railways do not make a profit on the grain transported when there is enough of it. The only point I am raising here is the difference between what some railway men consider a fair rate, in line with the rates paid on many other commodities, and the rate which is actually paid on wheat.

Q. Why should the farmers of Western Canada be picked out to pay the extra rate? According to what you have here, that would mean 10 cents a bushel on last year's crop.

By Hon. Mr. Dandurand:

Q. How does the rate charged by Canadian railways compare with the rate for hauling grain on parallel lines across the border?—A. Railway men tell me that the Canadian rate is considerably lower than the American rate.

Hon. Mr. MURDOCK: What percentage?

Mr. BLACK: I do not know the percentage, I think it varies. That is a question I am not competent to deal with. Railway men would be able to tell you that, naturally.

Hon. Mr. HAIG: But your suggestion here would mean that there are payments to the West of practically \$20,000,000 or \$30,000,000.

Hon. Mr. DANDURAND: I do not think so; but it may be explained to the West what the whole country is doing for it.

Hon. Mr. HAIG: But the railroads are making a profit. They made a profit last year on handling western grain. Why should that profit be increased to help carry the load for the rest of Canada?

Hon. Mr. DANDURAND: I should like to be informed on that point as to the rate of interest or profit the railways are making.

Hon. Mr. HUGESSEN: He was not suggesting what Senator Haig objects to. All he is pointing out is the value of the railways to Western Canada.

Hon. Mr. HAIG: They are making a profit at the present rates on grain.

Hon. Mr. HUGESSEN: If you charged similar comparable rates in Western Canada—

Hon. Mr. HAIG: If you increased the rates in Ontario and Quebec there would be no deficit.

Hon. Mr. ROBINSON: The railroads must be very well managed if they can haul western grain at lower rates than those charged in the United States.

Mr. BLACK: Senator Haig, I should be very glad to add to this statement if you think I am suggesting the wheat rates should be raised. I am not. I will say this: I would not for a moment suggest that the existing wheat rates should be raised. The only reason I am mentioning the \$20,000,000 or \$30,000,000, or whatever it is, is just to show one aspect of the benefit in millions of dollars of our railways to Canada, and to measure that up partly against the deficit on the C.N.R. I will say the very same thing for the C.P.R.

Hon. Mr. MURDOCK: You are not implying that perhaps the rest of the people of Canada are subsidizing the wheat growers of Western Canada—

Hon. Mr. HAIG: That is the suggestion I object to.

Hon. Mr. MURDOCK: —because they are giving the growers a lower haulage rate for their wheat than exists immediately across the border?

Mr. BLACK: Just as the taxpayers of Canada are subsidizing the coal miners of the Maritimes. And I would not vote for that subsidy being removed having regard to conditions there. Just in the same way, I would not vote for a reduction of the wheat subsidy.

Hon. Mr. HAIG: But the railways now are losing money on the coal they are handling from the Maritime Provinces, and there is a subvention to make up the loss to them. But on the wheat handling the railways are making a profit now, which you do not seem to realize.

Hon. Mr. PARENT: But you would be making more profit.

Hon. Mr. HAIG: Anybody could say that.

Mr. BLACK: That is the point, they would be making more profit. But I would continue to have the railways of Canada give this subsidy to the wheat-growers.

Hon. Mr. HAIG: But it is not a subsidy. The railways are making a profit.

Right Hon. Mr. MEIGHEN: When you get to the word "subsidy" you are wrong, but otherwise I see your argument.

[Mr. Harvey H. Black.]

The CHAIRMAN (Hon. Mr. Beaubien): Mr. Black, what you intend to say is that the railways extend to the farmers in the West the advantage of the lowest transportation rates?

Mr. BLACK: Yes. I will withdraw that word "subsidy", Senator Haig, if you wish. I did not mean it in that sense.

Hon. Mr. HAIG: What the chairman says is right.

Mr. BLACK: On page 22 I have a reference to the facts that Canada was not likely to go bankrupt or be forced to repudiate interest on its loans on account of the railways. In the final paragraph on page 22 I have made a reference to this fact, which I think is important from the public understanding of the railway problem.

Between 1917 and 1931, according to the Duff Commission report, \$677,000,000 was spent on the Government railways. Some of that expenditure has been criticized, and I have nothing whatever to say about that. A great deal of the money was spent in order to bring them together and integrate them. When you have practically five systems and bring them into one, you can understand how there was a lot of expenditure involved in doing that. But in contrast to that terrific capital expenditure I just want to point out as a matter of relieving part of the public anxiety. I have noticed in a great many speeches and editorials dealing with the railway question there has been an assumption that that terrific expenditure which was going on up to 1930-31 was to be continued. We were spending annually \$50,000,000 on the C.N.R. on the average as well as the \$40,000,000 or \$50,000,000 deficit.

Right Hon. Mr. MEIGHEN: What authority have you for saying that expenditure was necessitated for integration?

Mr. BLACK: I say a portion of that was necessary for integration.

Right Hon. Mr. MEIGHEN: You are not telling us what proportion of it was necessary for integration.

Mr. BLACK: That would be impossible for me, naturally.

Right Hon. Mr. MEIGHEN: It would be very small.

Hon. Mr. DANDURAND: You can perhaps ask the Canadian National officials.

Mr. BLACK: In contrast to that and as something which I think we may reasonably look upon for the future, the expenditures have got to the basis that is sharply downward. The real capital expenditure, technically, was a million and a half a year for the period of four or five years up to 1936-37, as against an average of \$45,000,000 in the earlier years. So the pace of spending, I should like to urge, is tremendously reduced, and therefore the cost to us of the public system.

May I read the last two pages?

The CHAIRMAN (Hon. Mr. Beaubien): What do they refer to?

Hon. Mr. PARENT: Publicity and propaganda.

Hon. Mr. BLACK: Give us your views, Mr. Black, without reading all that.

The CHAIRMAN (Hon. Mr. Beaubien): Give it to us in a concise way.

Hon. Mr. MURDOCK: Could we not get it quicker by his reading the two pages?

Hon. Mr. DANDURAND: Read the two pages.

The CHAIRMAN (Hon. Mr. Beaubien): Give us an idea of what you are driving at.

Mr. BLACK: I am driving at the need of keeping the public informed as to the railway situation—all kinds of publicity, propaganda, and so on. I should like to place myself on record in closing, and I can do it more easily by reading these two pages.

Hon. Mr. CALDER: Hop to it.

Mr. BLACK:

RAILWAY PUBLICITY AND PROPAGANDA

Before closing this comment on certain phases of Canada's Railway Problem, I would like to urge the discontinuance—in public discussion of the railways—of discrimination and recrimination against either the C.N.R. or the C.P.R. We have with us, willingly or unwillingly, the two systems, embodying public ownership and private ownership, and I am convinced that the two-fold solution I have suggested has an identical application to the one as to the other. Proponents of unification have no excuse for "knocking" the C.N.R., nor have opponents of unification any justification for condemning the C.P.R. and seeking to penalize it just because sponsorship of unification is fairly closely bound up with the private company. Either course only serves to becloud the issue and to make its solution more complex.

Once again. I would urge that our railways should be looked upon objectively, impersonally, as our most essential public utilities insofar as service is concerned—and with a past record of usefulness of a high order. One of the most valuable of these is in the "pioneering" past. The C.N.R. inherits the mantle of the old Grand Trunk of more than eighty years ago—in Eastern Canada. The Canadian Pacific, from the early eighties—the outcome of a ten-year programme of massive proportions fully completed in one-half that time. It was well that the Duff Commission laid *stress* on this, when it spoke of the "*faith, courage and invincible energy*" that the Company's administrators had brought to the task of building its lines through the undeveloped West; an enterprise that it declares "became a national asset of acknowledged value and importance to the Dominion."

And here might also be the answer from the same report that is applicable to so much of the ill-considered criticism of C.N.R. management as responsible for the creation of a heavy charge upon the public treasury: "Following upon the consolidation of many lines into the Canadian National system, in 1923, the railway has been *energetically administered*, and *has deservedly won approval* by its success in welding together the various working forces of the separate companies in the consolidated system."

NEED OF KEEPING THE PUBLIC ADEQUATELY INFORMED

I have referred to some phases of the "public interest" as a vital factor to be considered in working out a railway solution. These include the present or probable needs for retaining or providing for transportation facilities required for the development of our natural resources. In another direction, it is important that the "public interest" be served, namely, in keeping the public well informed on progress being made towards solving the railway problem, and on various plans that may be suggested and perhaps adopted. "Unification" has not lacked for sponsorship; "Co-operation" and its progress (such as it was) had little sponsorship. Moreover, defence of the Canadian National is rendered the more difficult just because it is a public railway. Obvious obstacles face defence by the officials of the C.N.R., while a championship by a

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government as a trustee for the public runs the risk of being discounted as "political". Some suitable settlement must be worked out, however, else the "railway issue" will become one-sided and the general public be deprived of sufficient information to enable it to view the case in proper perspective.

One instance will suffice to make clear the logic of raising this point. Propaganda was directed against recent decision to build a terminal for the Canadian National Railways at Montreal. There were obviously two sides to this proposal; only one was presented publicly.

Some hon. MEMBERS: Oh, oh.

Mr. BLACK: I should like to carry the subject of publicity campaigns in favour of one plan or another one step further. In the event that the Senate committee adopts any plan (for solving the railway problem) and Parliament passes legislation—new or amending—is it too much to assume that, in the interests of the success of such a plan, neither party to it should consider themselves free to carry on a campaign of publicity in opposition to it and in support of some other plan during the period of the experiment?

WHOLE-HEARTED CO-OPERATION (MINUS A "CAMPAIGN")

I would like to carry the subject of publicity campaigns in favour of one plan or another one step further. In the event that the Senate Committee adopts any plan (for solving the Railway Problem) and Parliament passes legislation—new or amending—is it too much to assume that, in the interests of the success of such a plan, neither party to it should consider themselves free to carry on a campaign of publicity in opposition to it and in support of some other plan during the period of the experiment?

Hon. Mr. HAIG: You will have to have Fascism in Canada to stop it.

Mr. Black:

Would whole-hearted zeal towards any railway experiment—any partnership between the C.N.R. and the C.P.R.—be possible under these conditions? Would it be consistent to carry on—simultaneously—a campaign to destroy public confidence in a plan that Parliament had enjoined upon the two railway systems, by proclaiming its failure from the start, and by advocating the adoption of some other plan? One is tempted to quote, "Ye cannot serve God and Mammon."

I am not suggesting any divine qualities in either plan.

Then I make a reference to the fact that under co-operation as conducted by the Canadian Railway War Board, the net profits of the private company per share were the largest in its history, and that with \$90,000,000 less gross revenue in 1916 than it had in 1928 it came within about \$1,000,000 of earning the net profits earned in 1928.

I would like, before closing, to say a word directly as to "Unification," for this proposal, owing to the ability and persistency of its advocacy, has become the spear-head of the railway discussion for several years past. During these years, I have watched with the deepest interest the intense struggle that was being waged before the public. In the main, the larger campaign has been limited to Unification. Despite that advantage, it has impressed me as failing to make the necessary headway against a strong under-current of opposition throughout the country towards the phase of "monopoly" that was thought to be involved. This result, at least as it appeared to me, served to strengthen my early conviction that an almost insurmountable barrier lay in the way of its acceptance by the public at

large and by Parliament. Nor was this conclusion weakened by the recent admission of some leading advocates that only through the extreme or emergency step of the formation of a "National Government" could the necessary legislation be pressed through at Ottawa.

As for myself, feeling that any railway plan that embodied some form of monopoly would have no chance of being placed on the statute books, I have sought for something that would not be too radical a departure from the present experiment, but would provide a competent outside body on whose fairness both railways could rely, while the automatic element of reference to a tribunal would remove that "contentious" element that has been objected to in the present "Canadian National and Canadian Pacific Act."

Hence, I would urge that some measure like "Supervised Co-operation" be adopted as the most effective plan for immediate results in lessening duplication and creating savings, with a fair form of regulation of highway competition as a means for the recovery of much of the traffic that has been lost in recent years.

Hon. Mr. BUCHANAN: Mr. Black, I want to be clear about that tribunal you propose. It would not have any compulsory powers.

Mr. BLACK: No.

Hon. Mr. BUCHANAN: Do you think it would get very effective results?

Mr. BLACK: I think it would have very effective results without calling upon compulsion.

Hon. Mr. CALDER: Would you state in a few words the difference between your suggestion and what now exists? You speak of a supervised co-operative plan. What is the difference between your supervised co-operative plan and the method of co-operation that now exists?

Mr. BLACK: There would be two bodies working on co-operation in future where only one body—the railway—is working on it to-day.

Hon. Mr. CALDER: But the one body of yours would still consist of officials from both railways.

Mr. BLACK: No. Perhaps I have not made that clear. My idea would be that the majority on this co-ordinating tribunal would not be railway men. Perhaps one from each railway would be quite sufficient, but the majority would be men appointed from the public standpoint, if you like.

Hon. Mr. CALDER: And they would have back of them the same interest as the officials who are now operating to secure economies. Without compulsion somewhere how are you going to get any different results?

Mr. BLACK: Public opinion.

Hon. Mr. CALDER: We have public opinion enough in this country. That is why the public are asking from every corner of Canada for "Co-operation Co-operation! Co-operation! Why in the world don't you co-operate?"

Mr. BLACK: There are two kinds of public opinion: one is intelligent public opinion, and the other is public opinion that is not provided with proper information.

Hon. Mr. CALDER: How are the public going to get that information

Mr. BLACK: From beginning to end of the last five years not one person outside of the railways has known of any plan, so far as I know. They have no known which railway proposed this plan or that, and they have said that while the railways are doing everything they can they have saved only a million and three-quarters.

Hon. Mr. CALDER: How would you provide that information?

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Mr. BLACK: By publishing periodically a list of every proposal that was assumed by the railways themselves or this tribunal.

Hon. Mr. CALDER: What does a man who lives in the Peace River district know about a co-operative effort in Saint John, New Brunswick?

Mr. BLACK: He knows whether there would be a real effort at co-operation between the railways. I do not know whether any of you feel, as I do, that the railways working for five years and saving a million and three-quarters, is a good deal of a joke. I think a great deal of the difficulty has been that there has been no deciding body, no referee in case of dispute here and here and here. And how can you settle a dispute? You refer it to a deciding body. That has never been done. One reason for that is—and one of the chief witnesses brought this out in evidence—that “we do not want to disturb the relations between the other company and ourselves, because we do not want to have the onus of taking the initiative in referring this plan on which we disagree to a deciding tribunal.” Under the plan I suggest it would be automatically referred. If the railways cannot agree on this and cannot get ahead—

Hon. Mr. CALDER: But you must not forget that to-day the tribunal has power to give decisions as to what is to be done; but under your plan there is nobody to give decisions.

Mr. BLACK: I would like it to be made clear—I may be wrong in that—whether the reference to the arbitral tribunal of a dispute carried with it not only a decision but the authority to impose a decision on the railways. Is that right?

The CHAIRMAN (Hon. Mr. Beaubien): Yes, that is right.

Hon. Mr. CALDER: But I cannot for the life of me see where the system you propose for dealing with co-operation differs in any essential feature from what we now have.

Mr. BLACK: Except the deciding body coming into it to settle disputes.

Hon. Mr. CALDER: But if there is a dispute between them and one side says, “We won’t do that,” and it is referred to this committee, are you any further ahead?

Mr. BLACK: Yes, you have public referees coming into the situation.

Hon. Mr. CALDER: With no power.

Hon. Mr. ROBINSON: I understood they had power.

Hon. Mr. CALDER: No. There is no compulsion. The referee can sit there and hear the two sets of officials give their evidence again, but he has no power, and the board of five would have no power to decide anything. That is the proposal.

Hon. Mr. HAIG: Mr. Black, you spoke about the force of public opinion. I presume that you know the railroads agreed to abandon that line there and this line here (indicating on map) and that the only publicity with respect to that was what appeared in the two Winnipeg papers, and all that appeared there was the objections of the people living along the line.

Hon. Mr. CALDER: As there would be objection, naturally, in every case.

Hon. Mr. HORSEY: Have you made any estimate of what the revenue would be to the railways if trucks and motor cars were regulated?

Mr. BLACK: No, I haven’t, because that would depend entirely on the extent of the regulation.

Hon. Mr. CALDER: There is one matter I certainly want cleared up before Mr. Black goes. At the bottom of page 8 you say; “Unified management only half-way—contest for control.” Now, you speak of the proposed basis upon which the board of directors would be set up. You understand, of course, that is only tentative, only a suggestion.

Mr. BLACK: Yes, sir.

Hon. Mr. CALDER: I will not read that paragraph, but in the next paragraph you say:—

For unified management is not an ordinary merger, a consolidation of two independent systems into one unit. Where two corporations merge a new corporation usually is born with the old security eliminated and replaced by new; the two old individualities eliminated and replaced by a single new one. There is no reason why the old antipathies and jealousies between competitors should then survive.

Which is all true.

There will no longer be the interests of "A" or the interests of "B"—the interests of "C" alone exist. Hence the two groups can work together freely; even with enthusiasm.

Now, on the next page you speak of the two railway companies continuing to exist with their presidents, vice-presidents and all their chief officers. That is at the top of page 9.

The impression you leave by this document is that they all continue to exist with the same interests, the same feeling of competition, the same desire to hold everything they have, and so on. Now I read the next paragraph:—

The semi-unified plans suggested—

Mr. BLACK: May I interrupt—not the same, but lessened. There is a diversity, but I think a lessened diversity of interest that would apply to co-operation on any large scale.

Hon. Mr. CALDER: We will agree to that.

The semi-unified plans suggested would be difficult enough—exceedingly difficult to operate—if the two systems were privately owned. Leaving a private corporation and one publicly owned to continue apart but with a merged management would only complicate the other difficulty. The vital point for each would be control of management and the scramble for control of the five neutral members on the Management Board is suggestive to me of something that might easily prove to be one of the most unholy spectacles in the railway or political history of Canada.

I think that is all.

As against that, I want to read from the evidence given before this Committee last year by Sir Edward Beatty, dealing with that point. You will find it at page 550 of the record of our proceedings of last session. I want to read this carefully, because reference has been made several times to what the proposal as regards unification really means, what the effect of unification would be. I make it perfectly clear again to this Committee that I am not advocating unification, but I do wish to have the question put squarely before us, in an understandable way. And I must presume that when Sir Edward Beatty makes this statement he makes it with a view to stating what he understands unification would mean. Mr. Biggar was cross-examining him:—

Q. Do you mean there would not be a difference, so far as the Canadian National system is concerned, through unification?—A. No, there would not be a difference.

Evidently they were talking about something else.

Q. Now, turning to the position of the Canadian Pacific shareholders and bondholders, I suppose your view would be that the effect of these economies could be regarded as going so far into the future that the returns to the Canadian Pacific shareholders would be quite sure for an

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indefinite time in the future?—A. I think so. And I would also say that there would be no difficulty, or there should not be any, if they believe their directors, in getting their approval of this kind of agreement.

Sir Edward there is referring to the agreement that must be made with the Government with respect to earnings and savings resulting from unification. He goes on:—

Here is the situation. The Canadian Pacific has \$335,000,000 of common stock outstanding, par value; and preference stock of \$137,000,000, non-cumulative preference stock, 4 per cent. That is a total of \$472,000,000. Now, those are held by stockholders in the company, and they have a right to approve or disapprove of the agreement. But let us assume that their approval would be given to this, because of the advantage to their properties and earnings by this unification.

That is, Sir Edward Beatty assumes that an agreement would be entered into between the Government of the day and the Canadian Pacific Railway with regard to disposition of earnings and savings that are made through unification. He assumes that the common stockholders and the preference stockholders would put their stamp of approval on the agreement.

Q. And the reason that they would likely agree would be that, having regard to these economies, they could look forward to receiving a return on those shares indefinitely?—A. Exactly. They would regard their future as more secure.

Q. For a lifetime, if not longer?—A. Then we have other securities. We have debenture stock, which is a statutory first lien on the assets of the company, by amendment to our charter made in 1899. And we have bonds to the extent of \$150,000,000, which are all secured by deposit of this perpetual debenture stock. They together amount to \$446,000,000.

Now, in addition to that, of course, we have equipment obligations . . . and so on. I do not think I need read that. A little further down he says:—

I would see no difficulty in getting the approval of every form of security holder of the Canadian Pacific, because in the last analysis his position is improved by the improvement in the future earning power of his own company. So I do not look for any difficulty in that place. As you know, under our Debenture Stock Act—and that is where we are so easily placed—in respect of this debenture stock, if we fail to pay interest due for a period of more than ninety days, those men become stockholders and they take over and vote and control the company. There are no proceedings, legal or otherwise, required for that. So ours is a simple situation, due to the terms of our charter.

There is just one other brief extract I want to read. I remember the occasion when I asked these questions. At the bottom of page 553:—

Q. Sir Edward, your suggested plan, as I understand it now, would be this. In so far as all your chief officers are concerned, they would drop having the idea that their system is in competition with your system?

Hon. Mr. CALDER: Do you understand that, Mr. Black?

The WITNESS: Quite so, sir.

Hon. Mr. CALDER: Sir Edward's reply was: "Completely." And the next question and answer were:—

Q. That would be dropped?—A. That would be the effect.

Hon. Mr. ROBINSON: He might be wrong about that.

Hon. Mr. CALDER: I doubt it.

Then I asked him, as appears at the top of page 554:—

Q. And you would approach the problem from this standpoint, you would have only one set of officials, with so many thousand miles of railway, and the idea of those officials would be to put every part of the system in shape, regardless of whether it belonged to the C.P.R. or to the C.N.R., so that they can give the best service at the lowest possible cost.

Do you understand the import of that, Mr. Black?

The WITNESS: Yes, quite so.

Hon. Mr. CALDER: The two systems would be operated as a whole, with but one object in view, the saving of money and making of earnings. Sir Edward's reply to that question was:—

A. Exactly; that is the idea behind the scheme broadly.

Then I put these questions:—

Q. At present, according to the evidence we have had in connection with co-operation you have two sets of officials who desire to effect economies, but who always have in the back of their heads the idea, "Well, now, this is our railway, and the other is their railway, and we must be very careful not to let this go and that go, and so on." That is the difference between the two situations?—A. Yes, sir.

Q. So far as the actual handling of the situation is concerned?—A. The human approach to the problem is entirely different.

The point I wish to make is this. I doubt very much Mr. Black, if you have taken fully into consideration what the result of unification, as pictured, would be. According to the evidence given to us time and time again, the result of unification would be the putting of the two systems together in such shape that they could never be unscrambled, that it would be an arrangement in perpetuity. I strongly incline to the view that in your memorandum you hold the idea that the two identities would continue to exist, and that the old struggle between the two sets of officials would go on.

Hon. Mr. DANDURAND: Would you allow me to add to that question a reference to a feature that was not covered by Sir Edward Beatty? He said that the efforts of the united railways, under unified management, would be to get financial results and make the companies pay. But there is one thing which would perhaps affect the relations between the two groups, and that is the difference between the two points of view, one looking to the creation of earnings and the other looking to public service.

The CHAIRMAN (Hon. Mr. Beaubien): It is one o'clock.

Hon. Mr. HAIG: Before we adjourn, I want to mention a matter. The other day I asked Mr. Fairweather to get me some information, and he promised me that it would be got. I have not received it yet, and on inquiry I find that the Committee has not received it.

Hon. Mr. DANDURAND: Mr. Fairweather is here, and he will be available at the next sitting.

Hon. Mr. HAIG: But I want to cross-examine him on that information.

Hon. Mr. DANDURAND: I do not know what my honourable friend asked for, but he might see Mr. Fairweather as we leave the room and get him to provide the information.

Hon. Mr. HAIG: I did see him and he told me that he did not have the information for me, but that he has given it Colonel Biggar. Now, Colonel Biggar is not here at the present time, and I am without the information. I think that, as a matter of courtesy at least, Mr. Fairweather should have given me a copy of what he gave Colonel Biggar.

[Mr. Harvey H. Black.]

Hon. Mr. DANDURAND: But of course it was for the committee that my honourable friend was asking that the information be supplied. He is entitled to a copy, if Mr. Biggar does not furnish the document to him.

The CHAIRMAN (Hon. Mr. Beaubien): Mr. Biggar will be requested to have a copy made.

Hon. Mr. DANDURAND: Probably Mr. Fairweather may have a copy to hand to Senator Haig?

Mr. BLACK: May I make one remark before we adjourn, Mr. Chairman? It will be one sentence. I agreed a good deal with the earlier part of Sir Edward Beatty's conclusions in regard to the shareholders and bondholders. I do not agree with the elimination of the two separate interests that would follow. Taking all he has said, I still would not be inclined to alter in one particular the conclusions which I have expressed here in regard to the extreme difficulty of having the two railways operated under that system.

The CHAIRMAN (Hon. Mr. Beaubien): The Clerk of the Committee hands me a letter which he has received from an engineer in Montreal who has asked to be heard. It reads:

May I appear this week before the committee of the Senate concerning the railway question? Please notify me one or two days ahead.

SERAPHIN OUMET.

This gentleman has written to me along the same lines. I want the opinion of the committee on the subject.

Hon. Mr. DANDURAND: When Mr. Ouimet suggested that he be heard, I think he was told by Mr. Biggar to send in a statement, and then we would see if it would be necessary to call him. I think that should still be our stand.

The CHAIRMAN (Hon. Mr. Beaubien): Shall we then repeat that communication to Mr. Ouimet?

Some Hon. MEMBERS: Carried.

The portion of Mr. Black's brief which he had not read when the Committee adjourned yesterday afternoon is as follows:—

RAILWAY RECOVERY ONLY ONE-THIRD OF BUSINESS

Or again; the depth of the depression (for the railways), 1933, found railway revenues off no less than 44 per cent from 1926—down from \$469,000,000 to \$263,000,000—while the business index had fallen only 20 per cent.

Or, put it this way: from 1932 to 1938, railway revenue recovered only 13·8 per cent, where business had recovered 42·8 per cent, that is, railway revenue recovery in six years was not one-third the percentage of business recovery in Canada.

EACH RAILWAY'S LOSS ALMOST IDENTICAL

A study of the experiences of the C.P.R. and C.N.R. will make it clear that in this phase of the railway problem, as indeed in most, each suffered almost identically; highway competition played no favourites.

C.P.R. gross recovered 27·2 per cent from the railway depression low of 1933 to the high levels of 1937, while the C.N.R. showed a gain of 33·2 per cent—C.P.R. being up from \$114 million to \$145 million; C.N.R. up from \$148·5 million to \$197·9 million.

But, between 1933 and 1938, C.P.R. gross was up 24·6 per cent while C.N.R. gross was up 22·6 per cent—as against a business gain of 42 per cent. The contrast between 1932-1937 and 1932-1938 results from the two systems (in one the C.N.R. gain being higher, and in the other C.P.R. being up slightly more), was that United States business originating in its Grand Trunk Western division gave the C.N.R. a marked advantage in gains in 1937 over the C.P.R.

In 1938, the positions were reversed. Losses were sharper for the C.N.R. through a heavier decline in U.S. business than Canadian, especially that business having its origin in the automobile area of Detroit and vicinity.

But, let us note carefully, nature was distinctly neutral—refusing to recognize any distinction between the “public” and the “private” systems.

GROSS LOSS OF \$204,000,000: HOW MUCH CAN BE REGAINED?

Let us leave these glaring discrepancies in percentages and make a single check-up on just what it would have meant in revenue to the railways had they continued—as years ago—to progress in line with the business index (which includes not only industry but agriculture, and the development of natural resources, production, exports, and a score of other constituent elements of national activity).

In 1938, the business activity index was $12\frac{1}{2}$ per cent ahead of 1926. In 1926, railway revenue was \$469,000,000. Add $12\frac{1}{2}$ per cent to this, and the total would be \$528,000,000. Actual railway revenues in 1938, however, were only \$324,000,000—or \$204,000,000 less—a terrific difference; and most of it was the toll paid to highway competition in Canada.

This is the picture so far as gross earnings are concerned. What of net?

The \$528,000,000—on the basis of the business index—happens to have been just under gross railway revenue recorded in the year 1928 (and a little more than in 1929). Net profits of the two railways in 1928 were almost exactly \$106,000,000. And net operating revenue of the railways in 1938 was barely \$27,000,000.

Here is a sheer drop in net revenue, due in the main to highway competition, over \$70,000,000. Regulate highway traffic; enforce fair competition with the railways, and restore a considerable part of this \$70,000,000 to the railways in higher net profits—and the bigger part of the “railway problem” is solved.

PASSENGER AND FREIGHT CONSIDERED SEPARATELY

It will be of interest and value in seeking to adjust the position of the railways to highway competition to consider the elements of revenue separately, as from passengers and freight. The record given below indicates that passenger revenue has been struck more severely than freight, from the combined losses to motor cars and busses. For instance, in 1932, passengers carried by the railroads in Canada, 21,099,582 was barely one-half of the total in 1926, which was over 42,000,000. And, perhaps, even more significant, while business recovered over 40 per cent from 1932 to 1936, the number of passengers carried on the railroads in 1936 was actually less than in 1932.

Freight tonnage in 1932 was only 58 per cent of the 1926 total (60,000,000 tons against 105,000,000), but, at least in 1936 freight volume had gained 15,000,000 tons, or 25 per cent. Even at that it was 28 per cent below 1926 levels, where business activity was 12 per cent above.

The comparative record follows:—

Year	Passengers	Index No.	Freight (tons)	Index No.	Phy. Vol. of Bus. Index
1926	42,686,166	100.0	105,221,906	100.0	100.0
1927	41,840,515		106,011,255		
1928	40,592,792		118,652,969		
1929	39,078,893	95.	115,187,028	109	
1930	34,698,767		96,194,017		
1931	26,396,812		74,129,694		
1932	21,099,582	49.4	60,807,482	57.3	78.7
1933	19,172,193		57,364,025		
1934	20,530,718		68,036,505		
1935	20,031,839		69,141,100		
1936	20,497,616	48.0	75,846,566	72.1	112.2

NOTE: If passenger traffic had kept pace with the Business Index the total for 1936 would have been 47,893,000—instead of 20,497,000. Had freight traffic kept pace with the Business Index, the 1936 total of tons of freight would have been 113,057,000 tons—instead of only 75,846,000 tons.

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SECOND PROBLEM: HIGHWAY COMPETITION

This brings us up fairly against the second phase of the railway problem. The first, of course, is, How best to undo present excess mileage and duplication to the end that substantial "savings" will accrue to the railways. This deals with net revenue, in the main. The second is, How best to bring to an end, or at least to modify, the unfair competition for the regulated railways that has developed from highway traffic—truck and bus—that is unregulated; whose rates are grossly unfair to the railways in that the truck is free to take the cream of business offered and to reject what is unprofitable, while the railway as a "common carrier" is forced to transport whatever is offered to it; unfair, also, in that trucks (and busses) are not required to contribute their fair shares of the costs of building and maintaining the highways, while the railways bear the entire cost of their own individual "highways"; unfair, also, in the inadequate regulation of hours of labour, of wages and other conditions of unemployment—and in a host of other directions.

That highway competition is largely responsible for the loss of \$200,000,000 of gross revenue and net of \$70,000,000 for the railways makes it clear that the results that might fairly be anticipated from a fair regulation of highway traffic compare closely with the gains in net revenues that would accrue from Co-operation between the two systems. Thus, two Co-ordinations are essential to improve railway revenues and to ease the railway burden of the Canadian taxpayer:—

1. To Co-ordinate operations of the C.N.R. and C.P.R., and
2. To Co-ordinate railway and highway competition.

As I have noted before, provincial claims of jurisdiction have prevented the inclusion of highways under the Dominion Transport Board. Obviously, the Federal and Provincial authorities must get together and work together—for the railway problem, as it concerns the public, is equally a problem of the provinces as of the Dominion. The two groups, therefore, in conjunction, should seek a solution: else Canada's railway problem will be only half solved; and the potential savings be only half realized.

CANADA, GREAT BRITAIN, UNITED STATES IN IDENTICAL POSITIONS

In solving this second problem, Canada will have the advantage of exactly similar efforts being made in the United States and Great Britain to work out some method of establishing some fair basis of highway competition with the railways. Indeed, in the United States, the railways' loss of passenger traffic, if not freight, has been much more pronounced even than in Canada.

There has just reached me a copy of a report issued by the Institute of International Finance of New York University on "The Railroad Problem in the United States."

The report of the Institute opens by citing the "far-reaching adverse economic effects" of the "severe decline in the traffic and earning power of American railroads during recent years." These include: great curtailment of employment on railways and in industries that serve them; costly results to financial institutions as holders of more railroad securities than of any other industry; quality of service to public checked in improvement of quality through inability to raise money freely for modernization; business stability undermined through failure of railways to make normal capital expenditures—as they are largest U.S. industry next to agriculture.

Decline in Income.—Operating revenues of Class I roads almost cut in two, from yearly average of \$6,167 million between 1920-1929 to \$3,127 million in 1932—up to \$4,166 million in 1937; down to \$3,560 million in 1938. Income available for fixed charges down from average of \$1,292 million to \$551 million in 1932, and only \$540 million in 1938.

Also: number of employees on same roads down from 2,022,000 in 1920 to less than 1,000,000 in 1938.

Some 100 roads, operating 78,000 miles of line, or more than 30 per cent of total, now in bankruptcy or equity receivership awaiting reorganization. In case of 37 class I roads being reorganized, bonds outstanding are \$3,767,000,000.

In 1937, production almost equal to 1929 peak, but freight revenue off 20 per cent.

In 1920, passenger traffic of 47,370,000,000 passenger-miles record for all time—down to low level of 16,368,000,000 passenger-miles in 1933, or one-third of 1920.

Transportation Tends to Increase.—In dealing with the “long-term” outlook for the railways, the Institute lays down the theory that “the total volume of all forms of transportation required by the people of the United States will tend to increase, over a period of time, as the population grows and the standard of living is raised. A higher standard of living usually brings in its wake an increased per capita demand for transportation, both for goods and persons. It is true that certain influences, such as the growing decentralization of industry, the loss of agricultural export markets, and the substitution of hydroelectric power for coal, reduce the demand for transportation services. Yet, on balance,” it concludes, “the long-term trend of the total volume of transportation should continue to be moderately upward.”

It next refers to what it regards the most serious element in the railway situation. “The railroads,” it is declared, “have been performing a declining percentage of the total volume of transportation in the United States since the World War period. Motor vehicles and pipelines have been making persistent inroads into the share of freight transportation performed by the railroads while private automobiles and buses have diverted the larger part of the passenger traffic.”

FOUR MAIN PROPOSALS OF REMEDIAL NATURE

The Report cites four of many remedial proposals that deserve particular attention, as follows:—

- A. Relaxation of regulations to permit the railroads to compete more vigorously and effectively with their competitors;
- B. Co-ordination and consolidation of railroad facilities;
- C. Drastic financial reorganizations to bring fixed charges well within existing earning power;
- D. Government ownership and operation.

As to A: The Report holds that “some relaxation of regulatory restrictions on the railroads, now that they are subject to such keen competition from other transportation agencies, is doubtless desirable. However, from the earnings standpoint,” it is added, “it is probably more important that the competitors, especially the motor carriers, be brought under fuller regulation themselves so that they will be required to compete on a more equal basis with the railroads.” Warning is given that relaxations for the railways that would lead to “excessive rate cutting” on their part would lead to “a reduction in railroad earning power, rather than its rehabilitation.”

As to B: The most ambitious plan for wholesale Co-ordination and consolidation was the “Prince Plan,” which proposed a combination into seven systems. The sponsors estimated economies of \$743,000,000 annually on the basis of the “very depressed year 1932.” The Report states that “it is very significant that Joseph B. Eastman, when he was Co-Ordinator of Transportation, made a very careful check of these claimed economies and found that the

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Plan would yield a minimum of \$218,462,000 of annual economies under the most unfavourable assumptions." The Report considers that "large savings in operating costs could be achieved through co-ordination and consolidation."

"Severance Compensation."—Such a proposal, it is declared, found powerful opposition from the railway labour unions, and in 1933 a clause was inserted in the Transportation Act providing that the position of no railway employee could be changed for the worse by Co-Ordination projects. In 1936, a voluntary five-year agreement was reached between railroad managements and unions under which such loss of employment required payment of an allowance varying from two months' full pay for less than one year's service, to 60 per cent of the regular wage scale for a period of five years where there had been fifteen years of service. In the case of the Prince Plan, 76,000 employees would have been displaced, "involving dismissal pay of about \$53,000,000 on the first year." The Report concludes: "Despite the problem of severance compensation, however, co-ordination and consolidation constitute the most promising available remedy for the financial difficulties of the railroads."

The C solution is hardly applicable to the Canadian situation.

As to D.—*Government Ownership*.—Strongly supported by Mr. Eastman, even he opposed this as a solution for the present, it is declared, "because it would eliminate the benefits of competition, serious administrative problems would be raised, labour relations would become even more inflexible, and there is no aggressive public sentiment in favour of public ownership." In addition, "the government is not now in position to assume the heavy financial burden involved."

FOR LONG-TERM OUTLOOK HIGHWAY COMPETITION MUST BE SOLVED

The Report definitely singles out the meeting of highway competition by the railways as the strongest hope for the future—in these words:—

The long-term outlook for railroad traffic depends primarily upon the ability of the railway lines to check the diversion of freight and passengers to other transport agencies.

Certain recent developments had strengthened the ability of the rail lines to retard further diversion. These were summarized thus:—

1. Rival transportation agencies are being subjected to stricter government regulation (since 1935). Still, "railway regulation is still far more strict than that applicable to their rivals," it is declared.

2. Taxation of competing forms of transportation has been on the increase.

3. Wages and working conditions are being improved in the truck and bus industries, "thus limiting another major advantage of the railways' rivals."

4. The railroad lines have bettered their technique, through store-door pickup and delivery service, faster delivery of freight shipments, the use of containers and detachable trailers, etc., so that the character of the service given the shipper of package and high-value freight by rail is more nearly equal to that furnished by the trucker. "However, much remains to be done in this direction," is the comment.

(This last paragraph applies also to Canada, as does also the following summing-up on this subject in the Report):—

It may be concluded, therefore, that, while the railroads will doubtless lose additional traffic to competitive transportation media over a period of time, the rate of such diversion should be far more gradual than in the past. Also, some of the traffic previously lost may be regained through better service or rate concessions, as is now being witnessed where streamlined fast passenger equipment and lower fares are causing travellers to shift back from buses to trains.

(Note.—Experiences in Canada will bear this out.)

FACTORS OF CHANGE IN RAILROAD EARNING POWER

The Report contains the following summary of how various phases of railroad earning power have deteriorated in recent years:—

	1937	% of 1929	% of 1923
Revenue freight ton-miles carried (millions).....	360,620	80	87
Average revenue per ton-mile (millions).....	9.35	87	84
Freight operating revenues (millions).....	\$3,370	70	73
Revenue passenger-miles (millions).....	24,655	79	65
Average revenue per passenger-mile (cents).....	1.794	63	59
Passenger operating revenues (millions).....	\$442	51	39
Total operating revenues.....	\$4,166	66	66
Maintenance expenses (millions).....	\$1,322	64	58
Total operating expenses (millions).....	\$3,119	69	64
Taxes (millions).....	\$325	82	98
Net railway operating income (millions).....	\$590	47	61
Net income (millions).....	\$98	11	18

HOW ENGLAND IS SOLVING RAILWAY PROBLEM

AGREEMENT BETWEEN RAILWAYS AND TRUCK ORGANIZATIONS TO
EASE HIGHWAY COMPETITION

In England, so-called amalgamation, which still has left four independent railway systems, has not solved the railway problem. Conditions still continue as a serious menace to maintenance of adequate earning power. So much so, that representatives of railways, late in November last, waited upon the Ministry of Transport to urge the removal of government restrictions on the railways in order that they might be left free, and so better armed to wage war on what was declared to be the real problem, highway competition.

In the end, a plan of co-operation between the railways and the truck organizations, or "hauliers" as they are termed, was proposed and a "square deal" agreement was worked out. Both groups agreed to set up a "Central Consultative Committee" to arrange measures of co-ordination, and the railways, in turn, gave certain guarantees for the protection of industry, in the event that existing restrictions on rates and other conditions were removed or relaxed.

An account of the agreement reached on February 5, 1939, appeared in the Weekly Edition of "The Manchester Guardian" of February 10, and I reproduce this in full below, as affording suggestions for a similar compromise—for the benefit of the Canadian railways and as a substantial means for solving the railway problem of Canada. The article reads as follows:

"Representatives of the railway companies and of the Liaison Committee on road transport rates reached the basis of agreement on the railways' 'square deal' proposals in London on Monday (Feb. 5, 1939). A joint memorandum embodying the agreed proposals will be submitted by the two industries to the Transport Advisory Council.

"The effect of the plan is that the railways will restrict objections to certain types of haulier licences for two years after receiving their freedom. The two industries agree to establish a Consultative Committee to arrange measures of co-ordination and deal with difficulties, and there are safeguards for the protection of industry in the form of right of appeal to a tribunal.

"An official statement issued at the end of the meeting said that the road haulage industry, subject to safeguards, will raise no objection to the "square deal" proposals. The two industries have drawn up a joint memorandum. Both the railway and the road-haulage industries hold the view that due regard must be given to the ultimate objective of co-ordination of all forms of transport. They are convinced, however, that it would not be practicable to apply to road transport the present railway rates structure with its elaborate classification, restrictions and obligations.

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"In order to afford road hauliers greater freedom to negotiate agreements for the co-ordination of their own industry, the railways have given an undertaking that they will not, unless there are exceptional circumstances, raise objections for two years after they have been given their freedom to applications for—

- (a) The renewal without any alteration of existing A or B licences;
- (b) The granting to existing hauliers of A licences for additional vehicles;
- (c) The granting to existing hauliers of additional B licences for vehicles whose operations are limited to a radius not exceeding twenty-five miles.

"The two industries agreed to set up voluntarily a Central Consultative Committee to arrange measures of co-ordination and to deal with difficulties that may arise. The committee will consider and formulate the principles on which voluntary agreements can be entered into in regard to the rates to be charged by road and rail for merchandise traffic.

"In regard to the fear of the road haulage industry that the railways, if freed from their present obligations, might use the freedom coercively, the railways state that it is an explicit part of their proposals that they should charge reasonable rates and that there should be a right of appeal by traders on the question of reasonableness to a tribunal.

"The memorandum claims that the recommendations contain ample safeguards for the protection of trade and industry in the form of a right of appeal to a judicial tribunal, and that nothing in the proposals involves any interference with the right of the trade to use his own vehicles under a C licence.

"The two forms of transport, the memorandum concludes, will continue to exist side by side as competitive but co-ordinated agencies."

CANADIAN RAILWAYS AS HIGHWAY OPERATORS

Coming back to the Canadian situation, one feels that the only solution is not a fair regulatory control over competing highway operators. One dares to hold the view that the railways themselves—even at this late date—could profitably enter the bus and trucking business. What more complete and attractive service could the railways offer to potential customers, than the alternative of rail or truck facilities to move flour, or sugar, or cement—or the thousand and one commodities that have slipped, here and there, from their grasp?

I would like to give two examples of possibilities along this line. One is the Provincial Transport Co. of Montreal, which is controlled by Montreal Tramways Company and is steadily expanding its excellent bus services over the Province of Quebec. I am not quite clear that the two railways could not have organized a joint bus service years ago—to supplement and fit in with main passenger service. Starting in competition today with Provincial Transport obviously would constitute unfair competition.

The New York, New Haven & Hartford Railway (steam) gradually has developed or absorbed a large percentage of bus and truck business in Massachusetts, Rhode Island and Connecticut, largely through the "New England Transportation Company", and operates also in New York State.

FAIR BUS DECISION OF QUEBEC PUBLIC SERVICE COMMISSION

In many quarters the view seems to be held that just because a dispute of jurisdiction over the highways has arisen in the case of at least two provinces, the "provincial" attitude, if it can be considered as distinct from that of the Federal, favours local bus or truck organizations and is not disposed to treat the steam railways fairly.

Such a conclusion cannot be assumed. I have just come across a judgment rendered by the Public Service Commission of Quebec that impresses me as an almost ideal method for a government body to adopt in sizing up the relative claims of a railway and an applicant for a bus licence, and might well serve as one basis for the regulation of highway competition. As I have not seen it quoted yet, I will make a brief summary of the case.

An application had been made to the Commission by a private party for authority to handle passengers by taxi, at so much per person, from Dolbeau to Quebec, going through the National Park. The application was opposed by the Canadian National Railways on behalf of a subsidiary, the Quebec and Lake St. John Railway. For the latter, it was stated that it had been a pioneer in establishing communication between Chicoutimi, the Lake St. John region and Quebec, for both freight and passengers; that the only and exclusive means of travel between Quebec and these districts during the winter season (almost seven months of the year) was by trains of this company; that costs were particularly high on account of the rigorous climate and heavy grades; that during the last few years three vehicular roads had been opened up by which both passenger and express traffic had been diverted in great part to automobiles or trucks; and, that, if present existing competition were increased, the railway would be forced to adopt drastic curtailment of its services so as to avoid serious losses.

It was also pointed out that the railway company "makes a distinction between auto bus operations which are complementary to the rail service, capable of being co-ordinated with the rail service, and auto bus operations which accomplish little or nothing in added service to the public but merely serve to divert from the railway local and long distance travel." In regard to complementary auto bus services, the railway agreed to co-operate with approved bus operators of this category by mutual arrangement of bus and train schedules the use of stations, interchange of tickets and ticket facilities, and "any other measures which will co-ordinate services and make for efficiency, economy and public convenience." The commission was informed finally that "if the railway receives protection against competition for its local and long distance services it is prepared to furnish a reliable adequate summer and winter service," and to co-ordinate its services with complementary auto bus services. If, however it was stated, "the railway must face competition from auto buses in its local and long distance services, then the railway refuses to recognize any obligation to furnish any passenger service winter or summer which does not pay."

The Commission refused the private request, under the following judgment "After careful consideration the Commission has reached the conclusion that the evidence submitted by all parties would not justify it in granting the request of the Applicants, but on the contrary if it were granted it might lead to a modification of train service prejudicial to the district in question as well as to the inhabitants thereof.

"The Commission wishes to call attention to the fact that during the winter this region has no other means of transportation but the railway and if it is desired that this means continue it is important to make this possible by avoiding all competition which local needs do not call for at the moment."

RAILWAY TO OPERATE BUSES

The final step was an application by the railway itself to the Commission for permission to operate a bus line of its own between the Lake St. John district and Quebec City, the highway being only 157 miles in comparison with 226 miles by rail. This request, I understand, is expected to be granted—completing a sound policy in relation to railway and highway competition, a government regulatory body, and the interests of the public.

[Mr. Harvey H. Black.]

HOW THE PUBLIC INTEREST IS INVOLVED

I would like to make some reference to what I consider one of the most important considerations involved in any solution of the railway problem of Canada, what may be termed the "public interest." Senator Graham laid emphasis on this during the Senate inquiry. He said, in part (page 94 of the report): "When an application comes before the Board of Railway Commissioners, the fact that a saving may be made may not be conclusive evidence that the line ought to be closed. There is another element that is probably of greater importance than that. Will the saving adequately provide for what the public loses by the abandonment of that line? It might be that a good case could be made out by the railways for economy, but that it would not be a good case for the public."

The "public interest," I would like to urge, enters into the solution from many angles. We should consider the two railways as primarily not two private operating corporations but as performers of a public function; as public utilities doing a public service, not only by far the largest but by far the most important public utilities in Canada.

Nor should their importance be judged by present necessities but much more in the light of future requirements. When we consider, as we have been doing, the problem of the railways in Great Britain and the United States, stress rightly is laid on the need to maintain railway services for the needs of industry, agriculture, etc., of to-day or for the expanded needs of the future. But, for Canada the future holds in store, not only a busier area of to-day, but a new area of the future when the map of to-day is rolled back upon our undeveloped north.

It is fairly simple to visualize the physical map of England or the United States in the future—where both countries are fully developed to-day—in the main. Canada's greatest development lies before her—in multiplying many times the remarkable growth of our mineral resources; in the building up of great newsprint mills among our forest resources of the farthest north; of new water-powers; of much else. And, more than ever before, railway transportation is absolutely essential as these developments move back from the front of population, industry and tidewater facilities.

Let us not, just because abandonment of lines will show a saving to-day, strip the future of lines needed for developing our natural resources. Let us not, simply because the public railway system stands as a heavy strain to-day on our finances, become panic-stricken and concluded that the drain is too heavy to be borne—and do to-day what we will repent to-morrow. A substantial cash deficit on the C.N.R. may not be too heavy a price to pay for the guarantee of facilities that the future will lean heavily upon.

NORANDA MINES: \$3,250,000 VERSUS \$150,000,000

Take the railways in relation to the development of our mineral resources alone—the wealth from which was the most powerful factor in shielding Canada from descending to the worst depths of the recent business depression. It is fair to say that a large proportion of the huge total of billions of dollars of mineral production in the past 25 years would never have been brought up out of the earth had it not been for the railway facilities provided by the two systems.

And the actual cost—in railway expenditure—is a very small item against the results. The profit seldom passes directly to the railway; frequently a small deficit is charged to it, and we say it does not pay. But millions are added to the wealth of Canada—and the railway cost is a small (and richly profitable) commission to pay.

Let me illustrate. Some 12 years ago the Canadian National agreed to build a branch line from the National Transcontinental to Rouyn—a distance of 44 miles—on the prospects of the establishment of the first copper-gold operation in the Northern area of Quebec Province.

The line was built, and one of the best known mines in the world was born. In the eleven years since then (1928 to 1938) that mine produced gold and copper to a value of over \$150,000,000, and the cost to the C.N.R. of that branch line was \$3,250,000—a mere 2 per cent or one-fiftieth of the wealth that this expenditure made possible. That mine was “Noranda.” And to its shareholders it has paid out in dividends \$48,000,000—or nearly fifteen times the cost of the railway line.

That railway line served the “public interest,” as well as the private. For some time past, I believe that 44 miles of the road has paid a fair return on its cost; were it showing a deficit, could we fairly brand that mileage as a net loss to Canada (and the taxpayer) or a very profitable item of “overhead cost”?

HUDSON BAY MINING—CONSOLIDATED SMELTERS

Let us move west to Manitoba. There is a mine there, destined, it seems, to be one of the greatest in Canada as a copper and zinc producer and a contributor to Canada's wealth. Into that mine was cast, for years, in the development stage, more millions of dollars, we are told, than ever went into any other mine ever developed in the history of the world before it started to produce. Some \$60,000,000 has been invested in it, most of it coming from outside Canada, and nearly \$25,000,000 of new wealth comes forth each year. That mine is known, in every mining circle in the world, as “Hudson Bay Mining and Smelting,” and the absolute condition of its birth and growth was a branch line of the Canadian National Railways, that cost \$9,000,000 to construct, and does not yet pay. Would you call that deficit in operating cost a debit or a credit item for Canada?

Let us go westward to British Columbia, where a Canadian Pacific line made possible the honour—and the profit for Canada—of owning the greatest lead mine in the world. A mine that between the years 1920-37 has brought out of the earth national wealth of \$386,000,000; paid to its shareholders large sums, and contributes to the C.P.R. as holder of a controlling interest in its shares rich dividends now, exceeding \$5,000,000 in 1937, and annually provides for it \$3,000,000 to \$4,000,000 of freight revenue.

It has been estimated that each dollar that has been spent on railway construction in Canada is represented by 1,000 per cent in the national wealth resulting directly therefrom. And future dividends should continue on the same impressive and profitable scale.

\$20,000,000 TO \$30,000,000 A YEAR: RAILWAYS' SUBSIDY TO WHEAT GROWERS

Just one more reminder of our debt to the C.P.R. and the C.N.R. It is well known that in Canada existing grain rates are the lowest relatively of any country in the world. For an area that extends from the far west to the eastern terminal of the Hudson Bay Railway, grain rates are to-day in force that date back to the original Crow's Nest agreement of 1897—42 years ago. I have asked railway men for estimates as to what subsidy the railways are paying to our wheat industry in providing transportation at excessively low rates. The answers have run—for an average wheat crop—from \$20,000,000 to \$30,000,000 a year.

From first to last, we spend large sums in subsidies to stimulate natural production. If even a portion of this twenty to thirty million dollars was returned to the railways, the C.N.R. deficit would be largely reduced, and the C.P.R. would be enabled to restore the old-time dividend on its preference stock, and to pay a substantial return on its ordinary shares.

[Mr. Harvey H. Black.]

SOME MISCONCEPTIONS

I would like now to comment on a few of what appear to me to be "misconceptions" as to what the railway problem really is and what it is not. I offer this as a necessary corollary to the consideration of any definite plan.

"BANKRUPTCY" AND "REPUDIATION" AS THREAT

In public discussions, in some speeches and newspaper editorials, the argument is advanced that the burden to the country at large arising out of the Canadian National Railways must be removed; otherwise "disaster" will follow. One particularly zealous newspaper recently declared that if one particular plan of solving the railway problem were adopted, Canada would be brought to "bankruptcy" and "repudiation." Such comment, to my mind, was unpardonable. It gave the impression of seeking to force acceptance of this one plan by arousing a feeling of panic in the public mind.

This editorial I cite as an instance of "gross exaggeration." In reply, I suggest that any country that could (with practically no change in the rate of taxation) show the remarkable recovery that Canada had in its national finances between the fiscal years of 1935-36 and 1937-38, need have no fear of bankruptcy, under any efficient operation of the government railway system. For through recovery in business, in imports and general buying, and in the earning power of its people, the Minister of Finance has been able to report to Parliament a reduction in the national deficit from \$160,000,000 for the year ended March 31, 1936, to \$77,000,000 the following year, and to \$13,775,000 for the year ended March 31, 1938—an improvement of \$146,000,000 in two years. This over-all deficit was not incurred as a result of what was known as "ordinary" expenditures, but after making provision for special charges on revenue such as capital expenditures, C.N.R. deficits, relief and special drought expenditures. The last-mentioned item, in the fiscal year ended March 31, 1938, included over \$24,000,000 spent on "drought area relief," chiefly in Saskatchewan. Without this "extraordinary" expenditure, the national finances would have shown a surplus of some \$11,000,000, even after meeting C.N.R. requirements of \$42,000,000 for interest on its funded debt in the hands of the public.

SHARP DROP IN CAPITAL EXPENDITURES

Another misconception that has been allowed largely to continue without much if any effort to correct it has been the idea that the huge figures that are quoted—running into hundreds of millions of dollars over a few years—as expenditures on capital account for the Canadian National Railways, and additions to the funded debt of the C.N.R. have been continuing right through the past few years with unabated speed. I shall not attempt to appraise the merits of the heavy expenditures in the earlier years when the five separate systems were being co-ordinated into a single C.N.R. unit. It is noteworthy, however, and one of the most significant phases of the railway situation in Canada from the standpoint of the public, that the volume of capital expenditures on the Government systems—resulting in earlier huge increases in the funded debt—have been cut down sharply in the past few years. Probably the extent will surprise most Canadians. The Duff Commission Report showed expenditures (mainly on capital account) from 1917, when the Canadian Northern Railway was taken over, to the end of 1931, of \$677,000,000. This total included \$48,000,000 for the Hudson Bay Railway; \$169,000,000 on the Intercolonial Railway; \$107,000,000 on the Grand Trunk, \$42,000,000 on the Grand Trunk Pacific, and so forth; or an average of \$45,000,000 in each of the fifteen years. Between 1932 and 1937 inclusive, capital expenditures had dwindled to barely \$10,000,000, or an average of around \$1,500,000 a year, against an average of \$45,000,000 in

the earlier years. In this estimate I am omitting the cost of purchase of rolling stock. While in the earlier phase of paying off the equipment trust certificates, that usually are issued by both roads to provide funds for about 75 per cent of the cost, C.N.R. purchases would require capital advances, eventually they are amortized as an operating charge.

Here, then, is almost remarkable evidence of the stemming of the spending pace, and of capital demands upon the public treasury. I feel sure this will be largely continued, at least until such time as both railways are compelled to enter into large capital expenditures to meet new demands made on them in connection with the growth of Canada. In such an event, expenditures might be looked on as "carrying" themselves in the added income they produced.

NET PROFIT UP \$16,000,000 ON SAME GROSS

One other improvement in connection with the public obligation on C.N.R. account is worth noting—a substantial reduction in cost of operations in the past few years, that is, in what is called the "operating ratio." Two years that are readily comparable and are almost identical in volume of gross earnings are 1931 and 1937. In the earlier year, revenue was over \$200,000,000 (I am using even figures to simplify the comparison). Out of this total, only \$1,192,000 remained as net revenue, after absorbing operating costs. In 1937, gross revenue was just under \$198,000,000, but net profit rose to \$17,110,000—a gain of \$16,000,000. That is, due largely to greater efficiency and to a more co-ordinated National system, the operating ratio fell from 99.41 per cent to 91.36 per cent, and the net profit on each \$100 of gross revenue rose from 59 cents in 1931 to \$8.64 in 1937.

EVEN WITH DEFICITS, CANADA NOT THE LOSER

Another misconception appears to have been that various plans submitted would have wiped out entirely the deficiency between net operating revenues of the C.N.R. and bond interest charges (\$42,000,000 in 1937 and \$54,000,000 in 1938). This, of course, was impossible, as a substantial portion of the savings must fairly go to the private company. It may seem a little unorthodox, but I am compelled to express the opinion here that no matter what method of solving the railway problem is put into effect, it will be many, many years before the deficit can be eliminated; quite possibly it will always exist. And I make bold also to submit, that in view of the value of the services of the C.N.R. to Canada, as an essential unit in our transportation system, any such deficit (after all reasonable efforts to co-ordinate the two systems) would not leave Canada the loser from the C.N.R., but very heavily in its debt. And I would say the same with equal emphasis, in regard to the debt of Canada to the Canadian Pacific as our other great transportation public utility. Let us, then, not be disappointed through too great expectations.

RAILWAY PUBLICITY AND PROPAGANDA

Before closing this comment on certain phases of Canada's Railway Problem, I would like to urge the discontinuance—in public discussion of the railways—of discrimination and recrimination against either the C.N.R. or the C.P.R. We have with us, willingly or unwillingly, the two systems, embodying public ownership and private ownership, and I am convinced that the Two-fold Solution I have suggested has an identical application to the one as to the other. Proponents of Unification have no excuse for "knocking" the C.N.R., nor have opponents of Unification any justification for condemning the C.P.R. and seeking to penalize it just because sponsorship of Unification is fairly closely bound up with the private company. Either course only serves to becloud the issue and to make its solution more complex.

[Mr. Harvey H. Black.]

Once again, I would urge that our railways should be looked upon objectively, impersonally, as our most essential public utilities in so far as service is concerned—and with a past record of usefulness of a high order. One of the most valuable of these is in the “pioneering” past. The C.N.R. inherits the mantle of the old Grand Trunk of more than eighty years ago—in Eastern Canada. The Canadian Pacific, from the early eighties—the outcome of a ten-year program of massive proportions fully completed in one-half that time. It was well that the Duff Commission laid stress on this, when it spoke of the “faith, courage and invincible energy” that the Company’s administrators had brought to the task of building its lines through the undeveloped West; an enterprise that it declares “became a national asset of acknowledged value and importance to the Dominion.”

And here might also be included an answer from the same Report that is applicable to so much of the ill-considered criticism of C.N.R. management as responsible for the creation of a heavy charge upon the public treasury: “Following upon the consolidation of many lines into the Canadian National system, in 1923, the railway has been energetically administered, and has deservedly won approval by its success in welding together the various working forces of the separate companies in the consolidated system.”

NEED OF KEEPING THE PUBLIC ADEQUATELY INFORMED

I have referred to some phases of the “public interest” as a vital factor to be considered in working out a railway solution. These include the present or probable needs for retaining or providing for transportation facilities required for the development of our natural resources. In another direction, it is important that the “public interest” be served, namely, in keeping the public well informed on progress being made towards solving the railway problem, and on various plans that may be suggested and perhaps adopted. “Unification” has not lacked for sponsorship; “Co-operation” and its progress (such as it was) had little sponsorship. Moreover, defence of the Canadian National is rendered the more difficult just because it is a public railway. Obvious obstacles face defence by the officials of the C.N.R., while a championship by a government as a trustee for the public runs the risk of being discounted as “political.” Some suitable settlement must be worked out, however, else the “railway issue” will become one-sided and the general public be deprived of sufficient information to enable it to view the case in proper perspective.

One instance will suffice to make clear the logic of raising this point. Propaganda was directed against recent decision to build a terminal for the Canadian National Railways at Montreal. There were obviously two sides to this proposal; only one was presented publicly.

WHOLE-HEARTED CO-OPERATION (MINUS A CAMPAIGN)

I would like to carry the subject of publicity campaigns in favour of one plan or another one step further. In the event that the Senate Committee adopts any plan (for solving the Railway Problem) and Parliament passes legislation—new or amending—is it too much to assume that, in the interests of the success of such a plan, neither party to it should consider themselves free to carry on a campaign of publicity in opposition to it and in support of some other plan during the period of the experiment?

Would whole-hearted zeal towards any railway experiment—any partnership between the C.N.R. and the C.P.R.—be possible under these conditions? Would it be consistent to carry on—simultaneously—a campaign to destroy public confidence in a plan that Parliament had enjoined upon the two railway systems, by proclaiming its failure from the start, and by advocating the adoption of some other plan? One is tempted to quote “Ye cannot serve God and Mammon”.

CO-OPERATION GAVE C.P.R. RECORD EARNINGS ON ITS SHARES

As a final argument for co-operation (under the superior conditions which I have outlined), I wish to draw attention to an actual experiment in co-operation that produced unique results in savings of overhead costs and in net profits. I have already made an indirect reference to it as conducted under the Canadian Railway War Board. On that occasion, the dominating factor was the emergency that demanded the maximum of efficiency in the transportation of men, foodstuffs, munitions and all the other accessories of war. The railway men of Canada, those of the Canadian Pacific, the Grand Trunk (as it was then), the Canadian Northern, and the rest, gave of their best in the national and Empire crisis. While there was no abandonment of lines, there was consolidation of effort, and there were outstanding examples of co-operation. There was a remarkable result also in railway profits. In fact, in the year 1916, for example, the net revenues of the Canadian Pacific, that is the balance left—after fixed charges and for the capital stock of the Company—was the largest in its history insofar as I have been able to trace back the results. There was earned on the common stock, for instance, \$16.76 a share, where in 1928, when the traffic receipts were the largest in the history of the Company, net on the common was \$14.98 a share. That is, with gross revenue of only \$139,000,000 in 1916, the C.P.R. had net operating revenue of over \$50,400,000, where in 1928 it required \$90,000,000 more of gross to earn \$51,694,000. That was an outstanding achievement for one hundred per cent co-operation.

What was accomplished in the war years under co-operation can be accomplished largely to-day.

THE PUBLIC AND THE THOUGHT OF "MONOPOLY"

I would like, before closing, to say a word directly as to "unification", for this proposal, owing to the ability and presistency of its advocacy, has become the spear-head of the railway discussion for several years past. During these years, I have watched with the deepest interest the intense struggle that was being waged before the public. In the main, the larger campaign has been limited to unification. Despite that advantage, it has impressed me as failing to make the necessary headway against a strong under-current of opposition throughout the country towards the phase of "monopoly" that was thought to be involved. This result, at least as it appeared to me, served to strengthen my early conviction that an almost insurmountable barrier lay in the way of its acceptance by the public at large and by Parliament. Nor was this conclusion weakened by the recent admission of some leading advocates that only through the extreme or emergency step of the formation of a "National Government" could the necessary legislation be pressed through at Ottawa.

As for myself, feeling that any railway plan that embodies some form of monopoly would have no chance of being placed on the statute books, I have sought for something that would not be too radical a departure from the present experiment, but would provide a competent outside body on whose fairness both railways could rely, while the automatic element of reference to a tribunal would remove that "contentious" element that has been objected to in the present "Canadian National and Canadian Pacific Act."

Hence, I would urge that some measure like "Supervised Co-operation" be adopted as the most effective plan for immediate results in lessening duplication and creating savings, with a fair form of regulation of highway competition as a means for the recovery of much of the traffic that has been lost in recent years.

"PERSONAL" OPINION ONLY

In fairness to my associates in the organization with which I am connected, I desire to make it clear that the opinions expressed in this Memorandum are solely my personal views.

[Mr. Harvey H. Black.]

RECOMMENDATIONS

1. SUPERVISED CO-OPERATION

Revision of present system of Co-operation so as to make it more workable, and much more effective in regard to savings. Present basis of "arbitral tribunal" (not once invoked by the railways) should be extended to establishment of permanent and larger body known as "Railway Co-ordinating Tribunal," membership of which would include railway experts, and whose duty, all the year round, would be to supervise Co-operation and to see that it was made effective.

It would have two functions: (1) as a referee to decide as between the two railways where disputes occurred over plans that promised savings (all failures to agree being reported to it automatically); (2) in an advisory capacity, to study the entire field of operations and to suggest methods of savings.

A Co-operating Committee of the railways would have a neutral Chairman, the Vice-Chairman (or even Chairman) of the Railway Co-ordinating Tribunal, to strengthen the spirit of co-operation and to stimulate action.

These recommendations arise out of weaknesses in the present Act governing Co-operation and the disappointing results of railway action during the past four or five years—due to the lack of close and permanent contact with the Tribunal.

As a background and a precedent for abundant success for Co-operation there is the experience of the Canadian Pacific Railway during the war years. Under the jurisdiction of whole-hearted co-operation through the Railway War Board, with Mr. W. M. Neal as Secretary and virtually manager, the C. P. R. (in 1916) showed the lowest operating ratio in its history, and the largest per share earnings on its preference and ordinary shares, and with gross revenue of only \$139,000,000 came within \$1,200,000 of equalling the record for all time of net profits, that of \$51,694,000 established in the year 1928, when the company had the benefit of \$90,000,000 more revenue.

In case it should be thought that without compulsion we were merely continuing the present unsatisfactory results of "voluntary" Co-operation—in spite of the large extension in the efficiency and scope of the Tribunal I have proposed—I would add the element of "Publicity," largely absent so far in co-operative effort. Periodically, there should be made public to the people of Canada a list of all the proposals for Co-operation and savings that were considered, with the verdict reached by the Tribunal, the attitude of each of the railways, and the final step taken, positive or negative. Widespread publicity, I am convinced, would soon become one of the strongest influences—as powerful possibly as compulsion—toward securing comprehensive Co-operation. This would leave full responsibility with the railways, and remove it from the shoulders of the Government.

2. REGULATION OF HIGHWAY COMPETITION

But there is another field with even greater promise of results. From an analysis of the destructive effect of highway competition on the gross and net revenues of the railways during the past ten or fifteen years, I am convinced that the regulation of highway traffic to compel fair competition with the railways will be the most fruitful of all methods for solving the railway problem of Canada—through increasing gross and net revenues. Conversely, that unless the Federal and Provincial authorities work together to this end, only disappointing results can ensue in savings to the railways from any plan that may be devised for lessening duplication through railway action alone.

For such plans, in the main, are designed to cut down overhead costs: they would not solve, except slightly and indirectly, the major problem of restoring to the railways the huge losses in gross and net revenues they have suffered in the past few years from the inroads of highway competition.

One example should make this clear. In 1938, gross revenues of the C.P.R. and C.N.R. amounted to \$324,000,000. Had revenues kept pace since 1926 with the Index of Physical Volume of Business in Canada (compiled by the Dominion Bureau of Statistics), the gross revenue would have been \$528,000,000 or \$204,000,000 more.

And as for net profits: Actual net in 1938 was barely \$27,000,000, while on the almost identical parallels of the heavier volume in 1928 and 1929 the net for 1938 would have been close to \$100,000,000—or \$70,000,000 more than it was, the drop being largely the result of “cut-throat” highway competition. This is the field that needs most solving; the field that promises the greatest source of increased gross and net railway revenues; the field that is being most zealously explored for the relief of the British and the American railways; the field that the Senate, and the Dominion and Provincial Governments should take in hand at once—this field is the second and most vital phase of Canada’s railway problem.

This field, too, has the overwhelming advantage in another direction: Co-operation, unification and other similar railway plans alike count on a very high percentage of savings as coming from a reduction of employment by the railways; fair regulation of highway traffic is a positive plan; it proposes, not a reduction of employees and an increase in unemployment in Canada, but an increase of employees, through a recovery in volume of traffic. Altogether something that is infinitely more consistent with constructive statesmanship.

In Great Britain, a movement for co-operation between the railways and the truckers already, during 1939, has made marked progress. In the United States, little emphasis is being laid on consolidation of the railways, although there are several hundred of these: in a report just issued by the Institute of International Finance of New York University, the following statement is made: “The long-term outlook for railroad traffic thus depends primarily upon the ability of the railway lines to check the diversion of freight and passengers to other transport agencies.”

I submit then, the Two-fold Solution of the Railway Problem:—

- (1) Supervised co-operation, to cut down overhead and effect savings;
- (2) Regulated highway competition, to restore large gross earnings to the railways, to increase net profits, and to increase, not cut down, railway employment.

The Committee adjourned, to resume after the Senate rises this afternoon.

The Committee resumed at 6.15 p.m.

The CHAIRMAN (Hon. Mr. Beaubien): Gentlemen, the question now is to decide upon a time for resuming. The two leaders suggest it should be 11.30 to-morrow morning. The Banking and Commerce Committee is meeting at half past ten.

Hon. Mr. DANDURAND: Most of the members of this Committee are on the Banking and Commerce Committee, I believe.

Hon. Mr. HARDY: Some of them are.

Hon. Mr. BLACK: A good many of them.

Mr. FLINTOFT: I have this memorandum, sir, that I promised this morning to let you have. If you prefer, I will hold it till to-morrow morning before reading it.

Hon. Mr. DANDURAND: You may read it to-morrow, perhaps, but let me have a copy now.

The Committee adjourned until to-morrow at 11.30 a.m.

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Canada Railway Problems, Special
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(THE SENATE OF CANADA)

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PROCEEDINGS

OF THE

SPECIAL COMMITTEE

Appointed to

**ENQUIRE INTO AND REPORT UPON THE BEST MEANS OF RELIEVING THE
COUNTRY FROM ITS EXTREMELY SERIOUS RAILWAY CONDITION
AND FINANCIAL BURDEN CONSEQUENT THERETO**

No. 8



The Right Honourable George P. Graham, P.C., and
the Honourable C. P. Beaubien, K.C.,
Joint Chairmen

WITNESSES:

- Mr. A. J. Kelly, Chairman, Co-operative Legislative Committee,
Standard Railway Labour Organizations.
Mr. E. P. Flintoft, K.C., General Counsel, C.P.Ry.
Mr. S. W. Fairweather, Chief of Research and Development, C.N.Rys.

EXHIBITS:

- No. 103.—Statement by Co-operative Legislative Committee, Standard
Railway Labour Organizations, and statistical analysis of em-
ployee's hours of service, compensation, etc.
No. 104.—Statement by C.N.Rys. of income deficit for year 1937—Lines
built or acquired since January 1, 1921.

Further discussion *re* Montreal Terminals.
Motion *re* submission of evidence to firm of railway engineers and
accountants for study, etc.

ORDER OF APPOINTMENT

(Extracts from the Minutes of Proceedings of the Senate for March 7, 1939)

Resolved,—That, with a view of completing the inquiry pursued during last session by the Special Railway Committee of this House, and preparing and submitting an adequate report on such inquiry, this Special Committee be re-appointed with a view to inquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, with power to send for persons, papers and records and that the said Committee be re-appointed with the same personnel and, therefore, that it consist of the Honourable Senators Beaubien, Black, Buchanan, Calder, Cantley, Côté, Dandurand, Graham, Haig, Hugessen, Horsey, Jones, Hardy, McRae, Meighen, Murdock, Parent, Robinson, Sharpe and Sinclair.

MINUTES OF EVIDENCE

THE SENATE

TUESDAY, May 2, 1939.

The Special Committee re-appointed to inquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, met this day at 11.30 a.m.

Right Hon. Mr. Graham and Hon. Mr. Beaubien, Joint Chairmen.

O. M. Biggar, K.C., Counsel to the Committee.

The CHAIRMAN (Right Hon. Mr. Graham): Gentlemen, is there a place where we can stop this inquiry? We must get through with it sometime.

The CHAIRMAN (Hon. Mr. Beaubien): I hope it will be to-day.

Right Hon. Mr. MEIGHEN: We ought to get through to-day.

The CHAIRMAN (Right Hon. Mr. Graham): We must be careful to see that no injustice is done to anybody; but surely there must be a time when we can say we have exhausted our resources.

Hon. Mr. BLACK: Let us finish to-day.

Hon. Mr. DANDURAND: Will Mr. Biggar inform the Committee as to engagements with parties who have asked to be heard?

Mr. BIGGAR: No engagements have been made; everything is subject to the decision of the Committee. There are certain people in attendance—particularly Mr. Kelly, of the Co-operative Legislative Committee of the Standard Railway Labour Organizations—who desire to be heard, if the Committee is ready to hear them.

Hon. Mr. BLACK: On what phase?

Mr. BIGGAR: In answer to the remark of Professor McDougall on the question of wages.

Hon. Mr. BLACK: That has been refuted three times already by special witnesses.

Hon. Mr. DANDURAND: I received an advance copy of Mr. Kelly's statement. It is fairly long, and I was wondering if Mr. Kelly could give us a synopsis of it. Of course, we could not refuse to file the whole statement.

Right Hon. Mr. MEIGHEN: If this statement is read it will mean that the whole forenoon will be taken up with it.

Hon. Mr. BLACK: There could be no objection to filing the statement with the Committee.

Right Hon. Mr. MEIGHEN: No.

Hon. Mr. DANDURAND: The statement is accompanied by estimates. Would these be printed in the record?

Mr. BIGGAR: That is the request.

The CHAIRMAN (Hon. Mr. Beaubien): Gentlemen, is it your desire that this memorandum be filed?

Right Hon. Mr. MEIGHEN: And made part of the record.

Hon. Mr. DANDURAND: Has Mr. Kelly any special reason for substantiating his written memorandum by an oral statement? His whole memorandum will appear in the record.

The CHAIRMAN (Hon. Mr. Beaubien): Yes, the whole thing will go into the record.

Mr. A. J. KELLY: Mr. Chairman and gentlemen, there are one or two points we should like to have emphasized. In the interests of brevity and in an attempt to expedite the work of your Committee, we have prepared a summary, which I think could be read in about fifteen minutes, of the contents of the brief and these tables. In view of the statements that have been made before your Committee and the publicity which has been given them, the membership of some eighteen organizations feel they should have an opportunity to touch upon the high points in the brief. In that way we would call attention to the portions which we emphasize in the brief.

The CHAIRMAN (Hon. Mr. Beaubien): Do you want to substitute your summary for the memorandum?

Mr. KELLY: No, sir. We feel that after having attempted to prepare a brief in answer to various misrepresentations which have been made here, it is only fair that we should be afforded an opportunity of filing the complete brief in the record.

The CHAIRMAN (Hon. Mr. Beaubien): Is your memorandum along the same lines as that submitted by Mr. Chase?

Mr. KELLY: Mr. Chase, I believe, dealt almost exclusively with locomotive engineers. We hope to deal with the entire wage bill of the railways, in a general way, and we think we can prove to your Committee that the wage bill is not the factor that it has been made to appear in your efforts to solve this problem.

Hon. Mr. HORSEY: If you can read your summary in fifteen minutes, I think you should do it.

Hon. Mr. BLACK: I would suggest that we hear Mr. Kelly for fifteen minutes, and that his brief be filed.

Mr. A. J. KELLY appeared as a witness.

By Mr. Biggar:

Q. Mr. Kelly, you are the Chairman of the Co-operative Legislative Committee of the Standard Railway Labour Organizations?—A. Yes.

Q. And you prepared this statement to be submitted to the Committee, and also a statistical analysis of employees' hours of service and compensation, increased efficiency and productivity of railway employees, and distribution of railway revenues?—A. Yes.

Q. It is these two documents that you desire to have filed and made part of the record here?—A. Yes.

(Statement submitted by the Co-operative Legislative Committee of the Standard Railway Labour Organizations, with statistical analysis of employees' hours of service and compensation, increased efficiency and productivity of railway employees, and distribution of railway revenues, filed as Exhibit 103.)

Q. I understand you have some notes from which you can quickly indicate to the Committee the salient points of this memorandum?

Hon. Mr. DANDURAND: Do you intend to follow your memorandum?

The WITNESS: No, sir, except the first part of it, which deals with the testimony given before your Committee by Mr. Peterson, which was not only an attack on the wage structure and wage agreements, but, as we understand it, an attack on the entire functioning of these several international brotherhoods. I would like to read the first part of my memorandum dealing with that:—

Honourable Gentlemen:

On behalf of the Co-Operative Legislative Committee of the Standard Railway Labour Organizations representing substantially all employees engaged in the steam railway industry in Canada, we desire to express

[Mr. A. J. Kelly.]

our sincere appreciation for the opportunity to appear before your Committee to make a reply to certain allegations which have been made with reference to the wages and working conditions of the employees we represent.

We submit that these attacks on our wages and working conditions are wholly unfair and unwarranted, and designed primarily to influence public opinion against labour unions and the railway brotherhoods. We refer specifically to the testimony of Professor John L. McDougall of Queen's University, who appeared before your Committee on March 21, 1939, and to a somewhat similar line of testimony by Mr. C. W. Peterson, editor of the *Farm and Ranch Review*, who appeared before your Committee on March 28.

Before going into the question of wages and working conditions of railway employees, we desire to comment briefly on certain statements which were made by Mr. Peterson with regard to our international railway labour organizations.

At page 99 of the Proceedings under the caption "Foreign Control of Railway Labour," Mr. Peterson made reference to the international character of our organizations and conveys the impression that they are a menace to Canada and are subject to dictation from a foreign country, even to the extent of being influenced to go out on strike for higher pay in the interests of uniformity of compensation on both sides of the line, and at page 100 he states: "I cannot imagine a weaker or more vulnerable instrument for dealing with labour disputes of large dimensions than a democratic government." At page 104 Mr. Peterson states: "Successful control and socialization of business necessitates a political dictatorship, able to restrain the unionization of labour for bargaining purposes. That has been demonstrated over and over again in Europe since the War. . . ."

In reply to Mr. Peterson's statements, which we consider are of an irresponsible nature, uttered without mature thought, and without knowledge or regard for the true facts, we would first say that the international railway labour organizations have been in existence for as many as seventy-five years, have an enviable record of constructive service to their credit and are considered by sane thinking people as responsible organizations capable of carrying out any agreements into which they may enter. We challenge Mr. Peterson, or any other person, to prove a case where these organizations have not been law-abiding or have violated any of their agreements with the railways. The Canadian railways themselves are international, in that they cross international boundaries and hold membership in an international organization known as the Association of American Railways. Financial institutions know no boundary lines, nor do fraternal societies, service clubs, insurance companies, the church and countless business firms. Yet Mr. Peterson seems to think that it is improper for railway employees to belong to international organizations and even suggests that our democratic form of government should be abandoned in favour of a political dictatorship such as is now in existence in some European countries in order to restrain the unionization of labour for bargaining purposes. Perhaps Mr. Peterson would prefer to live in one of those countries where he might find conditions more to his liking.

It may interest you to know that our organizations are the most democratic institutions in the world and one of our strongest bulwarks against the forces of communism, fascism or any other ism which is opposed to our democratic form of government. We not only preach democratic ideals, but we practice them.

The control of these organizations is vested in the membership and not in the officers as Mr. Peterson suggests. The membership elects the officers of the organization, and formulates the policies which those officers must follow. Could anything be more democratic?

With regard to Mr. Peterson's charge that these organizations are subject to foreign domination even to the extent that the Canadian membership could be influenced to go on strike, we wish to make it clear that the membership of the international railway organizations in Canada elect their officers and committees from among their own ranks, have complete autonomy over their own affairs, conduct their own negotiations with management with regard to wages and working conditions and cannot under any circumstances be ordered to go out on strike by anyone domiciled in a foreign country. A strike can only be called after the Canadian membership concerned has voted in favour thereof of their own free will and accord and without coercion of any kind. The authority of the Chief Executives to call or veto the calling of a strike is predicated solely on the result of the vote of the membership involved.

At page 99 of the Proceedings, Mr. Peterson indicates that the international railway organizations are so powerful that they have been able to coerce their employers and the public into acquiescing in an excessive wage scale. We appreciate the compliment which he pays to the strength of our organizations, but unfortunately his statement is not a fact. The officers of the railways are astute business men who are forever watchful of guarding the interests of the railways under their jurisdiction and it has been our experience that they are fully capable of protecting those interests. We take pride in the industrial statesmanship which has been displayed by our organizations and the fine relations which have existed with the railway managements for many years.

Mr. Peterson has also made a great many other charges but we do not desire to take up the time of the Committee to answer them in detail. A careful examination of his testimony will show that not only is he grossly uninformed with regard to the international railway labour organizations and their wages and working conditions, but his statements for the most part were wholly unsupported by proof of any kind. The words "I think" and "I believe" run throughout his testimony, which consists of many opinions but very few facts. In our opinion, it is not worthy of being called evidence—and we cannot see where it contributes anything constructive to your investigation of the railway problem.

Up to this time no adequate picture of railway wages and related factors have been presented to this Committee. Both Professor McDougall and Mr. Peterson have indicated that the wages of railway employees constituted a burden on the industry and, therefore, were an important element to be considered in seeking a solution of the railway problem. But in attempting to support that conclusion only fragmentary evidence has been offered. On the one hand, Professor McDougall considered only extreme cases affecting a relatively small proportion of all railway employees, while Mr. Peterson simply based his conclusion on "belief" without any proof whatsoever.

We have made a careful analysis of wages as a cost factor in the production of railway transportation which in the last analysis is the fundamental issue involved here and while constituting a reply to Professor McDougall and Mr. Peterson, we feel that in presenting this study we can make a real contribution to the work of your Committee. Unlike Professor McDougall and Mr. Peterson, we have embraced the wages paid to all railway employees in our study and we are prepared to offer the necessary proof to support our contention that railway wages are not

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a burden on the industry and, therefore, do not constitute an obstacle to the solution of the railway problem.

I might jump over the balance of the brief and turn to some notes. This, I believe, will save time.

In connection with the characteristics, duties and requirements of railway employment, we say that the railway industry is a huge plant providing essential public service, indispensable in times of peace, emergencies or war. It is a national necessity. It provides constant, continuous transportation of persons and all commodities at all seasons to all sections served by it.

The operation of this plant employs approximately 130,000 employees of specialized skill and training not obtainable or usable in other industries.

There is a responsibility imposed upon railway employees, non-existent in other occupations. The safety and security of every passenger, as well as every dollar represented by freight and equipment, depend upon the efficient co-ordination of effort put forth by the employees.

The character of their work is such that they cannot be under direct and constant supervision of the officers. They must be able to meet situations which arise and be reliable, clear-headed workers at all times. It is absolutely essential that all be capable, and the interdependence of all groups in producing efficient service appears in perhaps no other industry.

Without attempting to detract from the financial and managerial contributions of others which are essential to the far-reaching functions of our railways, we again stress the fact that ultimate achievement of safety and efficient service rests upon the co-ordinated function of efficient railway employees.

Having regard for the service rendered by railway employees we now turn to a consideration of railway wages and related factors.

We have prepared tables as an exhibit showing that the average earnings of all railway employees in Canada are not high and that greater efficiency, productivity and economy have been realized and that wages of employees are not a factor in your search for a solution of the railway problem.

The basic statistical data used in such tables have been taken from Statistics of Steam Railways of Canada.

The tables may be classed under the following general headings:—

1. Employees, hours of service, compensation.
2. Increased efficiency and productivity of railway employees.
3. Distribution of railway revenues.

Some of these tables will appear in the order shown in the brief and the exhibit accompanying the brief. I have condensed them in this way:

Tables 1 and 2:

Men	Hours	Wages
38·8% less	35·0% less	36·1% less

Tables 3 and 4:

Wages
62·7% earn not more than \$125.
83·9% earn not more than \$150.
91·8% earn not more than \$200.
only 2·0%, including officials, earn more than \$250.

I might say of that 2 per cent, only 866 men are covered by what are known as working agreements; the others are salaried men, and so on.

Table 5. Per mile of track:

Men	Hours	Wages
37·8% less	41·3% less	42·7% less

Table 6. Ton miles produced by 1923 to 1937:

Men	Hours	of wages
6·9% more	11·3% more	5·01% more

Table 7. Revenue ton miles produced by 1920-1937:

Men	Hours	of wages
22.0% more	29.0% more	32.1% more

Table 8. Operating revenue produced by:

Men	Hours	of wages
Rail line	2.8% more	8.3% more
		11.8% more

Table 9. Total operating revenue produced by:

Men	Hours	of wages
4.3%	9.8%	12.5% more

Table 10. Net operating revenue:

Men	Hours	of wages
468.5% more	509.7% more	520.4%

Table 11. Revenue ton miles per \$ operating expenses:

Operating expenses	37.1% less
Ton mile per \$....	34.3% more.

Table 12. Earnings of stockholders not complete.

Table 13.

Interest	Wages
31.3% more	36.1% less

Table 14. Total operating revenue:

Portion operating revenue required for wages.		
Oper. Rev.	Wages	% Rev. for Wages
27.8% less	36.1% less	11.6% less

Table 15. Rail line operating revenue:

Revenue	Wages	% Rev. for Wages
28.9% less	36.1% less	10.2% less

Table 16. Per cent Total operating revenue for interest:

Revenue	Interest	% Rev. for interest
27.8% less	31.3% more	82.5% more

Table 17. Per cent Operating Revenue rail line for interest:

Revenue	Interest	% Rev. for interest
28.9%	31.3% more	84% more

Table 18. Ratio Interest to Wages:

Wages	Interest	Ratio Wage per interest
36.1% less	31.3% more	54.4% less

I desire now to read to you the summary and conclusions at pages 37 and 38 of our brief.

SUMMARY AND CONCLUSIONS

The railway industry consists of a large and far-reaching plant requiring clock-work precision and an unusually high degree of training, skill, responsibility and experience on the part of the employees to operate. It is an industry which has only service to sell, and from the standpoint of the public which uses the railways, the employees are the railways. On them depends their safe and efficient operation.

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The wages of railway employees which have been subject to criticism are not a burden on the industry, and in fact increasing efficiency has made it possible to produce better transportation at lower cost, particularly lower labour cost, per unit of service, to which the railway employees have contributed no small share.

We may conclude, therefore, that the criticism of railway wages and working conditions is wholly unjustified, and that these factors do not present any difficulty in your consideration of the railway problem. In fact, the operation of the railways as a whole is conducted efficiently and cannot be criticized. Declining traffic and revenues due to competition, and the drain on revenues from other sources, principally the capital structure, appear to suggest more fruitful fields of enquiry for a solution of the railway problem.

While the purpose of this statement is primarily to reply to the unwarranted attacks which have been made upon the railway employees of Canada before this Committee, we ask that it also be accepted as supplementing and supporting the recommendations which we have previously submitted to your Committee.

The CHAIRMAN (Hon. Mr. Beaubien): Very good, Mr. Kelly. Thank you.

Mr. FLINTOFF: Mr. Chairman, I have filed with you a letter addressed to the joint chairmen, covering the Canadian Pacific memorandum in rebuttal of the evidence given by officers of the Canadian National Railways in criticism of the Canadian Pacific estimate of savings, based on operations in the year 1930. Copies are being distributed to the members of the committee. I would ask, sir, that this memorandum be included in the proceedings.

(The following is the memorandum submitted by Mr. Flintoff.)

MEMORANDUM IN REBUTTAL OF THE EVIDENCE GIVEN BY OFFICERS OF CANADIAN NATIONAL RAILWAYS IN CRITICISM OF THE CANADIAN PACIFIC ESTIMATE OF SAVINGS BASED ON OPERATIONS IN THE YEAR 1930.

The criticism of the Canadian Pacific estimate took three forms (a) that the savings from line abandonments included in the estimate were a major item in it, and that most of the mileage listed could not be abandoned; (b) that the estimate based on operations in 1930 was no longer valid in view of the subsequent economies made by both systems; (c) that the estimate as a reflection of the 1930 conditions was in error in several respects.

As to the first point, the criticism ignored evidence to the effect that the estimated savings given in the main be achieved without line abandonment by rerouting traffic and reducing maintenance expenses (Macnabb, pp. 610, 639). It has been shown that the complete elimination from consideration of all line abandonments would only reduce the total savings by \$7,248,798 (pp. 583, 905-06, 985; Exhibit 70, p. 943; Exhibit 80, p. 1112). It was also shown that if only those lines common to both the Canadian National and the Canadian Pacific estimates to the Royal Commission were abandoned, the total savings would be reduced by approximately \$4,215,000 (Exhibit 70, p. 943). The validity of these figures was not questioned, and since they are not a major factor in the estimate, the question as to whether a particular portion of line can or cannot be abandoned is not of importance in respect of total savings.

As to the second point, it was recognized that the economies put into effect by the two railways since 1930 are substantial, but attention is drawn to the fact that many of these will prove temporary in character; that by far the greater proportion were the result of sub-normal traffic volume, and that only a small proportion pertained to economies of the type inherent in unification. Therefore, it is an error to assume that these economies are properly deductible in total from the savings based on the operations of 1930, or the savings

for a year of normal traffic. Although, to appraise accurately the effect of these economies on present conditions, would require the preparation of a new detailed estimate, the Canadian Pacific officers offered an approximation of the savings under conditions as of 1937, based on the assumption that savings from unification would fall in total in proportion to the reduction in expenses. This was admitted to be a proper test (Fairweather, p. 206). The result of this calculation indicated savings of \$59,740,000 and no criticism of this was made. Recently, the Canadian Pacific has made a detailed study, which fully supports this calculation. For these reasons, in dealing with the detailed criticisms of the various items included in the estimate, the many references to the economies accomplished since 1930 will not be dealt with further in this memorandum.

With respect to the third point, the criticism will be met under the headings in which the savings were calculated as follows:—

Supervisory Items

The re-arrangement of supervisory organizations as proposed by the Canadian Pacific witnesses was criticized only in respect of the prudence of including in such an arrangement Canadian National lines in the United States, and in respect of three minor supervisory offices, namely: Prince Edward Island, Levis and St. Thomas, none of which could have any vital effect on the validity of the estimate because the difference in the savings if all of these objections were given effect to would not be substantial in the aggregate.

The savings which resulted from the re-arrangement were dealt with by Canadian Pacific witnesses in connection with the various main accounts whose expenses included some proportion of the supervisory costs. The critical witnesses contented themselves with casting doubt upon the amount of realizable savings, but the basis of these calculations was never seriously questioned. On the question of amount, the inference was drawn that the economies by the Canadian National in supervision since 1930 had rendered much of the estimate under this heading invalid, the answer to which argument has already been given in this memorandum.

Maintenance-of-Way and Structures

The critical witness was C. B. Brown, whose evidence begins on page 1198 of the Proceedings. He criticized the Canadian Pacific formula, which involved estimating Maintenance-of-Way Expenses on a basis of the average expense per equated track unit, and suggested a simpler method of average expense per mile, on the ground that there was insufficient data to permit an estimate to be made on any recognized equated mileage formula.

It is submitted that, since the Canadian Pacific formula was so weighted as to give effect to the difference in cost of maintaining branch lines as compared with main lines, that it provides for the cost of maintaining a double track line as compared with a single track line, and that it allows for the difference in cost between lines in Eastern and Western Canada, it is in every way superior to Mr. Brown's formula which does not allow for these factors.

Mr. Brown further criticized the comparability of Canadian Pacific maintenance expenses on two grounds. The first referred to the treatment of certain items of tie and rail expense, and it is apparent that Mr. Brown has not appreciated the fact that the identical items referred to were provided for in the Canadian Pacific estimates (pp. 838-39 of the Proceedings). The second was on the ground that certain items of expense were included in the Canadian National figures which were not reflected in Canadian Pacific costs. These items were:

(a) \$1,800,000 more for tie renewals. As to this the Canadian Pacific points out that its estimate allowed the same proportion of treated ties and total ties for the unified system as on the Canadian Pacific, whereas the Cana-

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dian National actually installed less ties per mile and a lower percentage of treated ties in 1930 than did the Canadian Pacific, thus indicating that the Canadian Pacific estimate was conservative.

(b) \$1,500,000 more because of preponderance of Canadian National mileage in Eastern Canada, where maintenance costs were higher by \$500 per mile (p. 1203). As to this, the Canadian Pacific submits that its estimate actually makes an allowance amounting to about \$600 per mile for the added cost of maintenance in Eastern Canada as compared with Western Canada.

(c) \$600,000 more for timber bridges, and \$1,500,000 less because of lesser traffic density on the Canadian National. Since the net result of these is a decrease of \$900,000, they do not support the Canadian National contention.

Maintenance of Equipment

The critical witness was Mr. J. Roberts, whose evidence begins at page 1207. The main ground of objection (page 1210) was that the unified management could not reduce the cost of repairs per mile on Canadian National equipment, since Canadian National repair costs were already as low, judged by comparison with those of United States railroads, as was consistent with efficiency. No criticism was offered so far as the savings were attributable to reductions in locomotive and car miles, although these savings accounted for the greater proportion of the total (p. 1208).

It is submitted that the lower Canadian Pacific unit costs were not the accidental result of conditions peculiar to the Canadian Pacific, nor were they obtained by the sacrifice of efficiency. It is contended that they follow from the adoption of policies and methods developed after many years of experience in a variety of conditions. It is further submitted that unified operations would greatly increase opportunities for the more effective utilization of equipment than is possible under separate operation. Because of this, costs at least as low as those on the Canadian Pacific can be obtained by a unified system.

With respect to locomotive repair costs, specific criticism was made on the following grounds (p. 1208):

First: That because Canadian National locomotives had a greater average tractive effort than those of the Canadian Pacific, the cost of repairs would be correspondingly greater. The Canadian Pacific witness pointed out at page 808 of the Proceedings that the effect of the increase in average tractive effort on the Canadian Pacific locomotives has been accompanied by off-setting benefits and the cost of maintenance per mile has not increased. The actual increase in the average tractive effort on Canadian Pacific locomotives between 1925 and 1938 was 16.3 percent.

Second: That the unified management would find it more expensive to maintain the greater number of classes of locomotives which would be contained in the unified inventory. It is submitted that the elimination of the least desirable classes of locomotives and in the increased opportunity for segregation of similar classes in the most suitable territory which would be done under unification would be sufficient to discount any such tendency.

Third: That Canadian National locomotives had been modernized to a greater extent than those of the Canadian Pacific, and that, while modern devices increase efficiency, they add to maintenance costs. Canadian Pacific experience has been that it is impossible to maintain a uniform cost level despite modernization because of the resulting increase in utility and efficiency.

Fourth: That the proportion of locomotive mileage on the Prairies was greater on the Canadian Pacific than on the Canadian National, and, therefore, the former's costs might be expected to be lower than those of the latter. The answer of the Canadian Pacific is that bad water conditions of the Prairie Provinces have increased repair costs with the result that these costs are only fractionally different from those in other sections of the country.

Transportation—Rail Line

The following main criticisms were made by Mr. N. B. Walton, beginning at page 1167 of the Proceedings:

Savings indicated were impossible because savings to the extent indicated would produce a ratio of transportation expense to revenue for the unified system of 33·9 per cent as compared with transportation ratios of United States railroads varying from 36·2 per cent to 37·5 per cent.

In this connection it is pointed out that Mr. Walton's criticism is based on a miscalculation since the revenues and transportation expenses for the unified system in 1930 should have been taken as \$450,230,364 and \$166,562,217 respectively, which is a transportation ratio of 37 per cent.

Station Service

Criticism under this heading was confined to—

(a) Casting doubt on the validity of the Canadian Pacific estimate by drawing attention to alleged errors in assumed Canadian National expenses for station services at Winnipeg and Montreal.

The Canadian Pacific admits that there may be errors in some of the figures owing to lack of detailed information, but does not agree that small differences of this kind invalidate its estimate of savings. It should be noted that the critical witness does not say whether the assumed expenses at these points were too high or too low, or whether the errors claimed were themselves compensating or compensated by differences in other accounts. The basis of the estimate is not in any event called into question.

(b) Pointing out that since 1930 station expense had been substantially reduced by the two systems. As has been previously said, these reductions do not invalidate the estimate based on 1930 conditions nor do they indicate that these economies are deductible in total from the savings.

Yard Services

The criticism under this heading was devoted chiefly to casting doubt on the reliability of the Canadian Pacific estimate which the critical witness suggested had been calculated on the basis of the reduction in locomotive miles amounting to 12·2 per cent, which percentage was the same as that derived from the calculation of savings in yard service expenses. The fact is that the savings were derived by detailed study and analysis at specified points where duplicate facilities were maintained by the two systems, and with full regard to actual operating and physical conditions. These savings at these points were then expressed as a percentage of system costs. The percentage thus found happens to coincide with the percentage saving developed for road locomotive miles, but there is no necessary relationship between them.

A further criticism was directed to errors in assumed yard costs of the Canadian National at Montreal and Winnipeg. As in the case of station service, the critical witness gave no indication as to whether these costs were too high or too low, or whether the differences mentioned were compensating.

Train Services

The criticism under this heading was chiefly confined to casting doubt upon the possibility of reducing train and car miles to the extent estimated by the Canadian Pacific. Specifically, the various items were criticized as follows:

(a) Train Service—Abandoned Lines and Consolidation of Merchandise Traffic.

This was criticized on the ground that no details were furnished and that reductions were wholly speculative. While it is easy to criticize any estimate on such a ground, no alternative figures were given by the Canadian National. The Canadian Pacific's position is that the estimate was made after careful study of all the ascertainable facts.

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(b) *Heavier Loading of Carload Traffic.* Reductions due to this were criticized on the ground that in order to get substantial reductions in train and car miles the situation would have to be carried to such an extreme as to impair service to the public. The Canadian Pacific estimated only 1 per cent reduction for each of the two factors which is conservative when compared with the estimate of 5 per cent increase in car loadings included in the Canadian National estimate (p. 509).

(c) *Re-routing of Empty Cars.* This was criticized on the ground that all possible savings have been made under co-operation. The Canadian Pacific admits that at certain points co-operative effort has eliminated a small portion of the duplication in this respect. The total savings cannot, however, be obtained until the practice is made to apply throughout the two systems, and that would only be possible under unification.

(d) *Re-routing of Freight Traffic.* Reductions from this source were criticized on the ground that there was insufficient detail furnished to enable these reductions to be verified, and that any savings possible under unification could equally well be accomplished under co-operation (pp. 1174-5).

As to the first point, the Canadian Pacific draws attention to the evidence of Mr. O'Brien (pp. 763-74) and to Exhibit 57 which, while not printed, was filed and available to Canadian National witnesses (p. 774). As to the second point, the Canadian Pacific submits it is no criticism of an estimate of savings under unification that equal savings can be made under co-operation. In addition, Canadian Pacific points out that it has been made very clear in the discussion on co-operative economies that these necessarily do not go as far as those under unification.

(e) The reduction of $2\frac{1}{2}$ per cent in the cost of fuel was criticized on the ground that such a saving was a remote possibility. It is submitted that this is a matter of opinion, although Mr. Vaughan, Vice-President of the Canadian National (p. 1249), admitted that some savings could be made by consolidating purchases.

(f) *Other Transportation Expenses.* Three items, namely, Clearing Wrecks, Damage to Property, and Damage to Livestock on Right-of-Way were reduced by 12.38 per cent, the derivation of which percentage was not, apparently, made clear. The Canadian Pacific points out that these accounts will obviously reflect the reductions in all classes of train miles, and the percentage used was that of the combined reductions in freight, passenger and mixed train miles.

The only major criticism under the heading of Other Transportation Expenses was related to the economies effected by the separate systems since 1930 in sleeping car services. The effect of such economies has already been dealt with.

Increased Operating Revenues

The critical witness (pp. 1231-36) expressed the view that the Canadian Pacific estimate under this heading was in error because the traffic being "overhead" was enjoyed by the Canadian railways in competition with the United States railroads only because—

(a) New England business desired to retain as many competitive routes as possible, and

(b) the differential rates which permitted such traffic to move on Canadian lines are "grudgingly" agreed to by United States railroads.

It was suggested (p. 1231) that if the Canadian railroads "were lining up together" that traffic might disappear. The answer of the Canadian Pacific is that if New England business supports the routes in question in order to add to the number of competitive routes, it is illogical to suppose that the removal of one by unification would cause them to withdraw support from the remaining one. It is further submitted, on the second point, that competition alone influences the United States railroads, and that the competitive position of the

Canadian railways would be strengthened under unification because of the improved service thereunder.

The critical witness objected to the estimate on various other grounds. He insisted that it would be impossible for the unified system to compel connecting United States railways to interchange traffic moving to and from New England so as to give the unified system the advantage of a longer haul on its own lines. Yet, the same witness objected also to the amount of savings which might be made by substituting Portland, Me., for North Stratford, N.H., and St. Johnsbury, Vt., on the ground that the Canadian National had already, since the date of the 1930 estimate, made a re-arrangement, for this precise purpose. It is submitted that these two objections destroy each other. That is, where it was necessary to his criticism to argue that the United States lines could retain their long haul, he did so.

The critical witness also offered the objection that the lease of the Boston and Maine line between Newport, Vt., and Wells River, Vt., to the Canadian Pacific meant that the rental of \$246,000 per annum could not be saved by substituting the Central Vermont for this line for interchange purposes. Obviously, the question of whether the lease exists or not is not pertinent to the amount of savings which could be made by not using the line in question. The only effect of the lease is to make it certain that, at its termination in 1956, the annual rental can be added to the savings from unification.

The critical witness also objected to certain items which were not included in the original estimate but which were suggested as proper additions thereto by the Canadian Pacific (p. 984), and which were included in the Canadian National estimate (p. 486). The Canadian Pacific suggested that \$1,500,000 could be gained by readjustment of interline divisions of freight revenue. This item was estimated by the Canadian National (p. 476—Proceedings) at \$2,500,000.

No criticism was offered of the estimated savings of \$1,136,000 per annum to be obtained by re-routing traffic passing through the Detroit Gateway—although this would seem to be open to the same objections as erroneously offered concerning the New England Gateways.

The Canadian Pacific total estimate for increase of revenue by rerouting of freight and redivision of interline freight revenues even after amendment showed a gross increase of only \$4,771,000. The estimate of these savings offered by the Canadian National (p. 489—Proceedings) showed increased revenues from these sources of \$5,385,800—which is evidence that the Canadian Pacific original estimate of \$2,135,000 was conservative.

Traffic Expenses

The only specific criticism under this heading not already covered in discussing the economics effected by the separate railways since 1930, was confined to casting doubt on the comparability of the expenses of the two systems. The only difference relied upon in support of this was that of the treatment of expenses of Colonization, Agriculture and Natural Resources. The Canadian Pacific pointed out that this difference was provided for in its estimate by a separate calculation (Exhibit 67, p. 941).

All Other and General Expenses

The only criticism under these headings related to the reduction in expenses since 1930, and this has already been dealt with.

British Columbia Coast Steamships

The critical witness directed his attention chiefly to two points, namely—

- (a) the Canadian Pacific suggestion that two ships could be dispensed with; and,
- (b) the suggestion that the Canadian Pacific estimate involved elimination of the Canadian National barge fleet (pp. 1108-09).

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The answer of the Canadian Pacific to the first item is that the witness, not having investigated the matter, was quite unable to say whether or not the saving in question could be made (p. 1107). As to the second point, the Canadian Pacific witness was wrongly reported both on page 968 and by the Canadian National witness. It was said that savings of \$104,000 were predicated on "elimination of the extra services and the elimination of one barge fleet." The evidence clearly indicates and the fact is that the reference was to the consolidation of the barge fleets and the elimination of one barge slip. (See page 968.)

Interest on Reduced Investment in Equipment and Stores and Track Material

The criticism of the Canadian Pacific estimate under this heading was directed, first, to the effect of the reduction in inventory since 1930, and, second, as many other critical witnesses had done without giving a basis for their suggestion, that the estimated reductions in train and car miles could not be achieved.

As to the first point; the reduction in inventory since 1930 is not a valid criticism of an estimate based on conditions in 1930 any more than is the argument that economies made by the two railways since that time are deductible in total from the 1930 estimate of savings.

As to the second point; the Canadian Pacific submits that while it was admitted that reductions in passenger train and car miles were too high, the increase in the savings in freight train and car miles more than counter-balanced this (pp. 983-4).

Summary

The criticism was summarized by Mr. Hungerford (pp. 1047-1052) and divided into two parts which involved fifty-five million dollars and twenty million dollars of the total estimate respectively. As to the first, he listed the alleged assumptions on which the estimate was based (p. 1050), which, it was said, would "raise doubts in thoughtful minds" as to the reliability of the estimate. These alleged assumptions may be listed individually with Canadian Pacific answers to the criticisms which result:—

1. That Canada has entirely too much railway mileage and that 5,000 miles "should be torn up regardless of the pioneering service" it performs.

Answer: No such assumption was made. The effect of line abandonments or no line abandonments on the estimate is unimportant for the reasons before stated.

2. That the quality of service in Canada is too high—it clearly being inferred that unification savings will be at the sacrifice of this quality.

Answer: The estimate makes no such assumption. It does contemplate that service will, in many cases, be improved and, as improved, will cost less than under separate operation.

3. That traffic can be "forced to move over specified routes."

Answer: Economies from re-routing of traffic are not based on forcing anyone or anything, but rather on a choice of the more economical routes.

4. That stations, terminals, etc., can be abandoned without regard to the effect on the community and the country as a whole.

Answer: No such assumption was made.

5. That Canadian Pacific costs are applicable to Canadian National operations notwithstanding geographical and other differences in conditions.

Answer: Unit costs of the Canadian Pacific were not applied to Canadian National operations, but to a new unified system neither Canadian National nor Canadian Pacific (Mr. Coleman, p. 1370).

6. That the savings are net savings without providing for capital expenditures and compensation to displaced labour.

Answer: The Canadian Pacific admitted that there was no specific allowance for capital expenditures required, but it was pointed out in the original estimate (p. 416) and in the introductory statement (p. 529) that the annual interest charges on capital required would be more than counterbalanced by savings not included in the estimate, attributable to the fact that the unified system would not require as much capital outlay in the future as the separately operated systems. Compensation to displaced labour is not a permanent expenditure and will not affect the ultimate economies under unification.

7. That disturbance to labour and markets are of no consequence.

Answer: Disturbance to labour will be prevented by temporary compensation allowances which are an essential part of the Canadian Pacific plan. As to the alleged disturbance of markets, it is submitted that unification will be of great benefit to industry.

As to the second division, namely, that involving twenty million dollars of the estimate, it was said that these were matters of statistical conjecture, a statement which is apparently based on the argument that differences in operating and maintenance problems between the two systems render the estimate invalid to this extent. The Canadian Pacific contends that it has made allowance for differences in conditions where they exist but that these differences between two nation-wide systems are compensating or in total are unimportant.

In conclusion, it may be said that where the criticisms were, in some degree, valid, the effect of these on the estimate of savings was not substantial. As indicated on pages 983 and 984, the Canadian Pacific had, prior to any criticism being offered by the Canadian National, made adjustments which involve deductions of \$4,000,000, largely to reflect permanent economies made since 1930, and additions of \$9,000,000, arising from items, which, while they might properly have been included, were omitted from the original estimate. The net effect of these adjustments more than adequately meets any valid criticism.

MONTREAL, QUE., April 25, 1939.

HON. MR. DANDURAND: The chairmen have asked Mr. Biggar to prepare a commentary on the evidence adduced before this committee since its inception. Now the Canadian Pacific presents its commentary upon that evidence under the title: Memorandum in Rebuttal of the Evidence given by Officers of Canadian National Railways in Criticism of the Canadian Pacific Estimate of Savings based on Operations in the Year 1930.

I do not intend to discuss the memorandum, but I suggest that the Canadian National Railways representatives prepare its commentary on that evidence, so that we shall have the full picture. This would relieve our counsel, Mr. Biggar, of the obligation imposed upon him of preparing just such a commentary or summary of the evidence.

I would ask the counsel for the Canadian National Railways to file their commentary of the evidence to supplement the commentary now filed by Mr. Flintoft on behalf of the Canadian Pacific.

[Mr. E. P. Flintoft.]

How long, Mr. Fairweather, would it take the Canadian National Railway to produce its review of the evidence from its point of view?

Hon. Mr. BLACK: You mean a summary of their evidence?

Hon. Mr. DANDURAND: Similar to what we have had from the Canadian Pacific.

Mr. FLINTOFT: I think there may be a misunderstanding, sir. The memorandum I have submitted is not a summary of our evidence. We gave evidence as to savings in support of our estimates. The Canadian National officers were called to criticize that evidence, and they did so. We had no opportunity last June on account of the close of the session to call witnesses to reply to their criticism though we offered to do so. Now, this is simply a summary of the evidence. We have witnesses here if you wish to hear them, but I took it that you had not the time to give to that. This is a summary of our answers to these criticisms; it is not a summary of our evidence as a whole. It is simply on the question of their criticisms and the estimates that were supported by our own evidence. Now, I would say that if the Canadian National is to be allowed to answer our reply, we must have some sort of sur-rebuttal in regard to their answer—and we would be going on *ad infinitum*. In the ordinary course of litigation one side gives its evidence, the other side makes its answer; then the first side heard has a chance to make a reply. This is only a reply. I can give it in the form of *viva voce* evidence, if you wish; but I thought, to save time, this would be the preferable way.

Hon. Mr. DANDURAND: Yes, but I have read the document which my friend Mr. Flintoft was kind enough to hand to me last week, and there is no question about it containing argument in support of the figures the Canadian Pacific has given. Now, surely in order to have the whole picture, we must have a statement as to the figures given by the Canadian National.

Right Hon. Mr. MEIGHEN: A reply to the reply.

Hon. Mr. DANDURAND: A statement as to the Canadian National's view of the evidence.

It was felt by my right honourable friend (Right Hon. Mr. Meighen) and by the members of the Committee, that we should get the meat of this evidence in summary form, with references to the pages where figures were given and statements were made by the Canadian National. Well, here is the point of view, and the conclusions, of the Canadian Pacific as to the whole inquiry. Surely the Canadian National will not be deprived of the opportunity of placing before us its point of view. That is why I say we must allow at least forty-eight hours to the Canadian National to bring in a general review of the whole evidence, such as we have had from the Canadian Pacific. Shall we stand here with only the statement of the Canadian Pacific, saying, "These are the things we said; these are the answers," and so forth? I should like to have the Canadian National give its views along the very same line, so that we may have the whole picture.

Right Hon. Mr. MEIGHEN: There is a regular procedure in these things. In every hearing, whether it is before a commission, a court or any other body, one side is called on first—usually it is an advantage to go first—and then replies to the reply, and that ends it.

This is not evidence; it is rebuttal to the reply, and is in accordance with the usual procedure. But if the leader of the Government says the Canadian National must have the last word—and in some things the only word—I suppose he has a majority.

Hon. Mr. DANDURAND: But my honourable friend must not forget that we closed the evidence last session. We ended it.

Right Hon. Mr. MEIGHEN: No, we didn't.

Hon. Mr. DANDURAND: What we were to do when we reopened is stated in the resolution.

We have heard the evidence of the Canadian National Railways and of the Canadian Pacific Railway, and since we are allowing the Canadian Pacific to strengthen its evidence—

Right Hon. Mr. MEIGHEN: It is just the usual reply.

Hon. Mr. DANDURAND: It is a strengthening of the evidence. I do not know whether my right honourable friend has read the statement or not. I have, and I say it would be most unfair for the Canadian National to have to stand this statement of the Canadian Pacific if it were to be declared the finality as to the real position of the facts brought before this Committee. What objection is there—

Right Hon. Mr. MEIGHEN: It is never done. There is always an end.

Hon. Mr. DANDURAND: But we never said, in closing, the Canadian Pacific should come in with a reply.

Right Hon. Mr. MEIGHEN: Why shouldn't they?

Hon. Mr. DANDURAND: Because they had been heard.

Right Hon. Mr. MEIGHEN: We hadn't time to conclude, and we said we would resume this session. If it is more than a reply to the Canadian National evidence—I have not had time to read it, I admit—it should not be so; but if it is only reply it should close the matter, according to all that I have ever seen in the courts.

Hon. Mr. DANDURAND: As I say it is not a reply as to some statement made by the Canadian National Railways.

Right Hon. Mr. MEIGHEN: What is there in it which goes beyond reply and brings in new evidence?

Hon. Mr. DANDURAND: I would need to read the document to show that it is a review of the whole evidence in support of the contentions of the Canadian Pacific.

Right Hon. Mr. MEIGHEN: No, it is not. Criticisms are made one by one, under the headings, and there is the answer to the criticisms. That is only reply.

Hon. Mr. DANDURAND: It is a review of the whole evidence of the Canadian Pacific.

Right Hon. Mr. MEIGHEN: It could not be reviewed in that space. It is just rebuttal.

Hon. Mr. DANDURAND: Then, if we are to allow the Canadian Pacific to file its statement, the Canadian National should be entitled to do the same thing.

Right Hon. Mr. MEIGHEN: To make rebuttal to rebuttal?

Hon. Mr. DANDURAND: We will see. Then when we have the statement of the Canadian National, I will leave it to the Committee to read the two statements and say if they cover the positions of the two railways.

Hon. Mr. HAIG: In any proceeding in the Senate a person who introduces a bill makes his speech of introduction. Then anybody who is fighting that bill can get up and speak against it, and so on through the whole gamut. When that is ended, the introducer of the bill gets up and says, "I will now close the debate," and in doing so he reviews all the evidence which has been given about the bill. But he is not allowed to introduce any new material.

If this is only a reply to what the Canadian National said, that ought to end it. I know that if it were in the House, and I had the final word, the Speaker would not allow me to introduce new matter. We all saw what happened in the House the other day. The honourable leader of the Government and the right honourable leader of the other side each spoke two or three times, back and forth; but it was in disobedience of all rules.

[Mr. E. P. Flintoft.]

Hon. Mr. DANDURAND: We closed the evidence last session.

Right Hon. Mr. MEIGHEN: No, we didn't.

Hon. Mr. DANDURAND: If we didn't, then the Canadian National will continue its evidence. But we closed the evidence. Does my right honourable friend tell me that only one side is to be allowed to rise and comment upon the evidence given by it?

Right Hon. Mr. MEIGHEN: Has not the Canadian National been giving new evidence this session?

Hon. Mr. DANDURAND: But surely the Canadian National and the Canadian Pacific have been heard; and now, in closing, the Canadian Pacific say, "Here is our commentary upon that evidence". Is it to be allowed to do that when the other railway is not?

Hon. Mr. HAIG: Let us get this matter clear, Mr. Chairman. In any court in this country, or in any other country, the plaintiff states his case; the defendant states his defence, and the plaintiff is then allowed to recall witnesses to rebut the evidence of the defendant. He cannot introduce any new matter.

Hon. Mr. HUGESSEN: But he can be cross-examined.

Hon. Mr. HAIG: We can cross-examine on this statement. The C.P.R. have offered the evidence, and are willing to be cross-examined. They say, "Here is the evidence. We will submit the witnesses, and you can cross-examine them as much as you like." But my honourable friend (Hon. Mr. Hugessen) who is a lawyer, knows they cannot put in more evidence then. We should not allow in rebuttal any new evidence that was not made in chief. It is not good practice. That is not the practice of the Senate Committee.

Hon. Mr. SINCLAIR: On the motion for second or third reading you can repeat what has been said.

Hon. Mr. HAIG: Oh, that is another stage.

Hon. Mr. SINCLAIR: This is the second stage. We closed the evidence last year.

Hon. Mr. HAIG: Then you should not let in anything this year.

Hon. Mr. SINCLAIR: But we have.

Hon. Mr. HAIG: If this statement covers only the rebuttal by the C.P.R. of what was said by the C.N.R., that should end the matter. We had the C.P.R. statement, and it was criticized by the Canadian National. This is the answer to the criticism—or whether it is an answer or not is for the Committee to say.

Hon. Mr. DANDURAND: It is a commentary of the C.P.R. on its own evidence and on the evidence given by the Canadian National.

Hon. Mr. HAIG: Which is proper procedure.

Hon. Mr. DANDURAND: The Canadian Pacific, having filed a statement of its views as to the nature of the evidence, it is just that the Canadian National should do likewise. I would leave it to the Committee to judge, after reading the two documents, whether we should continue the discussion between the Canadian National and the Canadian Pacific. But surely we will not accept a commentary from one side, which is practically a statement made by the lawyers in the case after the evidence is in, and refuse such a commentary from the other side. This is the first time I have heard of such a thing. We have had the evidence. Here is a commentary on that evidence by one of the parties. Are we to say we will not receive the commentary of the other party? That is the most extraordinary proposal I ever heard.

Right Hon. Mr. MEIGHEN: It is not a commentary at all. The honourable gentleman describes it wrongly in order to make his case plausible. This is strictly a reply.

Hon. Mr. DANDURAND: It is a reply I would like the other side to see—

Right Hon. Mr. MEIGHEN: You want a reply to the reply—something you never saw in your life.

Hon. Mr. DANDURAND: I have read this statement and think it is the fairest thing in the world to ask the Canadian National to produce its statement as to the evidence.

Right Hon. Mr. MEIGHEN: Do you guarantee you won't have anything more after that?

Mr. FLINTOFT: Mr. Chairman, may I draw your attention to a few factors in connection with this matter that may help to clear it up? You will remember that last spring we gave evidence in support of our estimates. We were directed to produce our estimates in detail, and gave viva voce evidence in support of it. Then the Committee adjourned for something over two weeks to enable the Canadian National Railways to make their criticism of our evidence. The Committee then met and continued till practically the last day of the session. In Mr. D. C. Coleman's statement we said that we were in a position, as we thought, to refute certain of the statements of fact made by the Canadian National in respect of our evidence, but the Committee did not have time to hear us.

Now, with all respect to the leader of the Government (Hon. Mr. Dandurand), this is not a commentary on the evidence. At least, it is not so designed. If we have erred, you are entitled to strike out anything in it which is a breach of the well-known rule. We have not, I submit, introduced into this memorandum any new evidence whatever. We have gone through the Canadian National evidence, and where we thought it was in error we have pointed out the errors, referring to the evidence by its pages in the proceedings. This is not in any sense an argument, and if the Canadian National were to be allowed at this time to make an argument on our rebuttal, I would ask that we be given a similar opportunity after they have made their argument. As you know, if you are submitting arguments, the universal practice is to submit them concurrently, without either party being given the advantage of having the last say. So I would respectfully urge that if you are going to accept argument, it be submitted in that way. But that would take a lot of time. This statement was submitted to avoid the necessity of calling a lot of witnesses again, and I suggest it is the close of the matter in so far as the evidence is concerned.

Hon. Mr. DANDURAND: I have read this statement, and I find that some of the pages are a commentary on the evidence on both sides.

Hon. Mr. CALDER: Give us an example from the document itself to show where it is a commentary.

Right Hon. Mr. MEIGHEN: It is a commentary by way of a reply. It has to be a commentary.

Hon. Mr. DANDURAND: I could read two or three pages.

Hon. Mr. CALDER: Read one example.

Hon. Mr. DANDURAND: It will be found to be a criticism of the stand taken by the Canadian National, and an emphasis upon the figures given by the Canadian Pacific.

Right Hon. Mr. MEIGHEN: Certainly.

Hon. Mr. DANDURAND: I have no objection to the production by the Canadian Pacific of a statement as to the views they hold on the whole evidence so long as the Canadian National produce a similar statement of their views if they want to. Then with the two documents before us we would have a statement of the stand taken by the two railways. Surely we are not going to accept the statement of the Canadian Pacific as being the final word in regard

to the weight of the evidence we have heard. I said at the outset of my remarks a few moments ago that it had been felt that Mr. Biggar could perhaps give us a statement which would direct us to the meat of the evidence. Instead of that, the Canadian Pacific come along and say, "Here is the meat, as we want you to eat it."

Right Hon. Mr. MEIGHEN: No, no.

Hon. Mr. DANDURAND: I have read the statement.

Right Hon. Mr. MEIGHEN: It is a reply.

Hon. Mr. DANDURAND: Surely the Canadian National could give us their view of the evidence too, and we could bring the two documents together for consideration.

Hon. Mr. COTÉ: The Canadian National gave a statement last year.

Hon. Mr. DANDURAND: Both sides.

Hon. Mr. COTÉ: No. Last year the Canadian Pacific propounded a plan and gave evidence in support of it. They made an estimate of savings under unification, and called witness after witness. They were not replying to anybody; they were offering something constructive to this Committee. I was in the hope that witnesses from the Canadian National would analyze what the Canadian Pacific had said and bring before us some original ideas on the question of the railway burden. But they did not have anything constructive to offer. One witness after the other came along to destroy the Canadian Pacific evidence; their whole endeavour was to show that what had been said by Canadian Pacific witnesses was not reliable. Mr. Biggar asked Canadian National representatives if they had any personal views as to what savings could be made. They had not any; all they knew was that the Canadian Pacific figures were wrong.

Hon. Mr. DANDURAND: I beg your pardon.

Hon. Mr. HORSEY: They had their estimates.

Hon. Mr. COTÉ: They had what they described as an intelligent guess.

Hon. Mr. DANDURAND: Both sides were making estimates.

Hon. Mr. COTÉ: Somebody—I think it was Mr. Fairweather—described it as an intelligent guess. He had a series of so-called intelligent guesses as to savings, ranging from \$56,000,000. As Mr. Flintoft said a moment ago, we had an adjournment after the Canadian Pacific evidence was in, so that the Canadian National could prepare their reply. They worked on it and brought it along, but it was nothing constructive; it was simply an attempt to destroy the Canadian Pacific evidence. Do they find themselves in this position now, that having forgotten to say something last year in reply to the evidence in chief—

Hon. Mr. DANDURAND: Oh, no. They can give a statement of their views on the evidence, just as the Canadian Pacific can.

Hon. Mr. COTÉ: After they replied to the Canadian Pacific last year, the Canadian Pacific said: "These witnesses have said things with which we do not agree. Either they have taken a wrong inference from our evidence, or they have made some other error, and we want a chance to rebut their reply." Now the Canadian Pacific want to put in their reply. I have not read it, but I think they are entitled to put it in. But if the Canadian National were to be allowed to reply to this reply, it would be a most unusual procedure. On the other hand, if the Canadian National admit candidly that they forgot something important last year, I should say that even though it is irregular to allow it in now, I am willing to listen to it, because I do not want to close out facts. Just to be fair, although I do not want to be a party to the admission of a reply to a reply, I would rather accept a statement from the Canadian National too, on the assumption that they forgot something last year.

Hon. Mr. CALDER: Mr. Chairman, may I place another view before the Committee? The lawyers have had a pretty good whack at this.

Right Hon. Mr. MEIGHEN: Are you not a lawyer?

Hon. Mr. CALDER: I never practised. I assume we are dealing with the estimates made by the Canadian Pacific of possible savings under unification and the counter evidence given by the Canadian National on that point. If that is all we are dealing with, of what importance is it to this Committee? We are all agreed that the Committee is not equipped to weigh the evidence given by either side, because we know very little about it. As I have said before, this matter is a highly technical one, and the Committee is not capable of weighing the evidence. Only an expert could do that. Of course, I am speaking generally. There may be some phases of it that we can understand and reach proper conclusions upon, but in the main this Committee is not in a position to decide as to whether, under the evidence, savings of \$70,000,000 or \$60,000,000 or \$50,000,000 or \$40,000,000 can be made.

Right Hon. Mr. MEIGHEN: That is, as to the amount?

Hon. Mr. CALDER: As to the amount. And if we go on, day after day, we shall be in exactly the same position at the end as we are now. So I say we should wind up as soon as possible; otherwise I am going to quit. I am not going to stay here day after day wasting my time.

Hon. Mr. DANDURAND: I do not intend to extend this examination.

Hon. Mr. BLACK: Could we not meet the situation by having Mr. Biggar make a summary of the evidence for us?

Hon. Mr. DANDURAND: And reject this document?

Hon. Mr. BLACK: I would not reject that. We have heard the evidence of the Canadian National.

Right Hon. Mr. MEIGHEN: You cannot reject that reply, in fairness.

Hon. Mr. BLACK: I do not think the Canadian National can bring in any more evidence. Do not let us waste time by having further rebuttal by the Canadian National. Let Mr. Biggar draw up a summary of the evidence.

Hon. Mr. DANDURAND: Then I move that the Canadian National produce a statement, and that their statement and the Canadian Pacific's statement be commented upon by Mr. Biggar.

Hon. Mr. BLACK: If Mr. Biggar is going to make comments upon the evidence I should think he would need to cover it from beginning to end, and not deal merely with the two statements.

Hon. Mr. DANDURAND: He will do that, but he will have the benefit of the two statements.

Hon. Mr. HORSEY: It seems to me, Mr. Chairman, that we should not deal with this matter from a standpoint of strict court procedure, or debating procedure. We have been appointed to get all the information we can from both roads.

Right Hon. Mr. MEIGHEN: That is right, Senator, but we should like to get through.

Hon. Mr. HORSEY: As Senator Meighen says, we must get through. There must be an end to the procedure. The hearing of evidence having been closed last session, and our inquiry having been finished except that we had not dealt with our report—

Hon. Mr. CALDER: That is not correct.

Right Hon. Mr. MEIGHEN: Have you seen the resolution appointing us this session?

Hon. Mr. HORSEY: The Committee was re-appointed this session.

[Mr. E. P. Flintoft.]

Right Hon. Mr. MEIGHEN: The resolution says "with a view to completing the inquiry." Surely we would not pass a resolution to complete an inquiry which had already been completed.

Hon. Mr. HORSEY: Let it go at that. We had not made our report. No notice was given to us that further evidence was to be taken, or that the Canadian Pacific were to come along with a further commentary.

Right Hon. Mr. MEIGHEN: Yes; they asked last session to be allowed to do that.

Hon. Mr. HORSEY: I did not know that. We find now that we have not much time left to do our work.

Hon. Mr. CALDER: The honourable gentleman seems to be forgetting the fact that when the Committee's hearings closed last year there was a prevailing opinion among the members that a body of experts should examine all the evidence we had taken. When I left the House at the end of last session I had the hope that experts would weigh the evidence and give us something upon which we could act. But that was not done. If we continue to have documents put in, I simply will not read them, because they are of no value to me.

Right Hon. Mr. MEIGHEN: Suppose we take a vote upon the motion.

Hon. Mr. HORSEY: It seems to me that the Canadian National should be allowed forty-eight hours within which to prepare a memorandum, and that that should close our hearing. I suggest that would be fair.

The CHAIRMAN (Hon. Mr. Beaubien): I suppose the most practical way to proceed now is to take a vote.

Hon. Mr. HAIG: Mr. Chairman, I do not think we should vote. The leader of the Government says he wants the Canadian National to put in a statement. I think it is against all precedent to do that, but I certainly will not vote against him. I would let him put in that statement, if he wants it.

Hon. Mr. HORSEY: That would save time.

Hon. Mr. HAIG: All that the leader of the Government is trying to do is to see that the Canadian National have the last word on everything. That is an unfair position to take, but if he wants to take it I am not going to vote against the admission of a Canadian National statement.

Hon. Mr. DANDURAND: That is not my state of mind at all. I am taking this stand in fairness to the two contentions before us.

I may say that Mr. Biggar has been asked to prepare a statement on the evidence submitted to us. He may suggest that the two railways produce their statements. I take it for granted the Canadian Pacific has done so.

Hon. Mr. HAIG: No, that is not a statement of their whole case. It is just an answer to the Canadian National.

Mr. FLINTOFT: May I say, sir, this memorandum is wholly on the question of the estimate which we produced, and which the Canadian National had nearly three weeks to criticize. This is not in any sense argument or commentary on the evidence as a whole. It is intended to deal with questions of fact. All we are doing here is to offer what we have witnesses to prove, and what we think would have an important bearing on your inquiry. I would ask the honourable leader, if last June we had insisted, on what was undoubtedly our right, on putting in witnesses to reply to the criticisms of the Canadian National, would he have refused us that right? This memorandum is simply offered as a means of shortening the inquiry.

Hon. Mr. DANDURAND: I ask Mr. Flintoft this question: Are not considerable figures given there by way of comparison between 1930 and 1937?

Mr. FLINTOFT: No.

Hon. Mr. DANDURAND: Oh, yes.

Mr. FLINTOFT: It does not deal with the 1937 situation at all.

Hon. Mr. DANDURAND: Oh, yes, it bears on that situation.

Mr. FLINTOFT: Oh, no. If you will read it carefully, sir, I think you will agree with me.

Hon. Mr. DANDURAND: At all events, I move that the Canadian National be allowed to produce a statement concerning the commentary on the evidence. When those two documents are before us we may refer them to Mr. Biggar to see if he cannot base upon them a report which will be satisfactory to the committee.

Right Hon. Mr. MEIGHEN: Senator Dandurand, I am quite ready that you should make your motion, but I would rather you would not describe this memorandum in a way which those who put it in say is not justified. Why describe it at all? It speaks for itself. Just move that the Canadian Pacific be allowed to put it in, and then add something about the C.N.R. putting in another.

Hon. Mr. DANDURAND: I thought the memorandum had been received. Then I move that the Canadian National prepare a similar statement based on this situation.

Right Hon. Mr. MEIGHEN: A reply to that statement.

Hon. Mr. DANDURAND: I do not like to limit them simply to following the arguments there. That is a running commentary on the evidence based upon 1930 and brought up to 1937. Make no mistake as to that.

Right Hon. Mr. MEIGHEN: Put your motion in any way you like.

Hon. Mr. DANDURAND: I move that the Canadian National be allowed facilities, similar to those we have given the Canadian Pacific, to bring before this committee their views as to the evidence which has been adduced.

The CHAIRMAN (Hon. Mr. Beaubien): Will there ever be an end to it then?

Hon. Mr. DANDURAND: We shall see.

Hon. Mr. HAIG: Before you call for a vote, I desire to say I am paired with Senator Robinson. He is engaged in the Divorce Committee. I promised him that I would not vote.

The motion was agreed to: Yeas, 6; Nays, 4.

Right Hon. Mr. MEIGHEN: What about the terminals?

The CHAIRMAN (Hon. Mr. Beaubien): There is a request by Mr. McLeod to be heard on the terminal question. Will you read that?

Right Hon. Mr. MEIGHEN: Let us vote on that, too. We have already had an application from Mr. Flintoft to be heard in reply to the C.N.R.'s contention which is before us with respect to the Montreal terminals. I move that Mr. Flintoft be heard.

Hon. Mr. DANDURAND: We are discussing opening the question as to the selection of a location for a union station?

Right Hon. Mr. MEIGHEN: No, I am putting my motion. Surely I can put it in my own way.

I move that Mr. Flintoft be heard to present his views and those of his company with respect to the whole question of the Montreal terminals.

Hon. Mr. DANDURAND: I object to Mr. Flintoft or anybody else being heard on the question of the location of a union station in Montreal, on the ground that it is not before us, and that we are simply providing for the needs of the Canadian National Railways in Montreal.

I may as well state briefly the history of the Tunnel terminal of the Canadian National Railways. It was originally a Canadian Northern project. Work was started in 1912, it was completed in 1918, and operated in the same year. I am referring to the Tunnel station.

[Mr. E. P. Flintoft]

Between 1918 and 1920 there was a strong movement in Montreal for grade separation, and in 1929 the matter came to a head, the Board of Railway Commissioners being asked to settle the question. A short statement explaining the whole situation was made by Colonel Vien before the Standing Committee on Railways and Shipping of the Commons. It will be found at page 58 of that committee's proceedings, and is as follows:

I might state in this regard that this question has been studied since 1927. I was deputy chief commissioner of the Board of Railway Commissioners in 1927 when we directed the Canadian National Railways to provide plans and specifications for adequate terminal facilities at Montreal. Immediately after that the interested parties were convened before the board and it took two years from 1927 to 1929, for the interested parties to file their suggestions, their individual suggestions, and at that time the Canadian Pacific Railway refused to join in the construction of the terminal and the tunnel, and suggested that we should use Windsor station for westbound trains and Place Viger for eastbound trains. The Canadian National Railways went very thoroughly into this question. They had experts from New York and elsewhere and their reports were filed with the Board of Railway Commissioners.

Then, other interests were also consulted, the Montreal tramways, the city of Montreal and other interests who retained the services of Mr. Williamson and the old Armstrong plan as improved by Mr. Williamson was also submitted, involving some 20 miles of subways, a subway from Montreal south to Montreal north, from a certain point west on Atwater street to a certain point east on St. Denis or something of that kind. It was at that juncture that Mr. Dunning, who was Minister of Railways, invited Sir Frederick Palmer, who was on his way back from the Hudson bay to study all the suggestions that were filed, and I recall that Sir Frederick Palmer consulted the Board of Railway Commissioners in that respect, and finally you have Palmer's report and the presentation of 1929 authorizing the Canadian National Railways to go on with this scheme that had been approved after a very thorough study of all the plans that had been suggested.

Then, in 1929 and 1930 the land was acquired and the various buildings that were in the way were demolished and the big hole was dug. Due to the depression the work was suspended for a time and there was a clamour of public opinion for the construction of these terminal facilities as much in the interest of the Canadian National Railway system which was at a great disadvantage in operating in Montreal, the metropolitan area, as in the interest of the general public using the terminal facilities at Montreal. I believe that there is no gainsaying the fact that adequate terminal facilities for the Canadian National Railways were much overdue and the merits or demerits of the various schemes that were suggested have been exhaustively gone into, to my knowledge, by the most eminent experts that could be invited to offer a suggestion.

That, as I say, was in 1929. The Board of Railway Commissioners approved the Canadian National Railways plan. Work on the central station was started in 1929.

Hon. Mr. COTÉ: What business man to-day would extend his plant on the basis of something that he thought was advisable in 1929? If we all endeavoured to do that in the spending spirit of 1929, it would be a very sorry thing for the country.

Hon. Mr. DANDURAND: But the plan was adopted and the work was carried on to the tune of some \$16,000,000 or \$17,000,000, and then operations were suspended. In 1937 the board was studying the desirability of proceeding with

the work because of the absolute need of the Canadian National to have its own terminal at the Tunnel. They examined the situation thoroughly, and in 1938 found that the Government would be ready to subscribe for relief work some 40 per cent of the cost, to be spread over the two or three following years. This represented money spent constructively. It was decided to proceed. The board, composed of strong business men, decided unanimously to ask the Government to pass an Order in Council to furnish the cost of labour to the extent of 40 per cent.

When Mr. Murdock resigned from the Canadian National board it was thought by the C.P.R. interests, their newspapers and their mouthpieces, that his action was prompted by disagreement with the board as to the desirability of proceeding with the work. When, however, the correspondence was published they were very much surprised to find that Mr. Murdock was complaining of President Hungerford's lack of zeal in publicly defending action which Mr. Murdock himself had moved the board should take to continue work on the terminal. The proposal was accepted unanimously by all interested in the activities of the Canadian National terminal.

That is the situation to-day. Are we now to try to retrace our steps and have this committee decide as to whether the Windsor station or the terminal is the proper union station for Montreal?

Sir Frederick Palmer in his report emphasized the fact that if there was to be a union station in Montreal it could not be the Windsor station. He dismissed it absolutely from the picture. He saw only the terminal station as being suitable for the purpose. His report is printed in our evidence.

Hon. Mr. HAIG: What was to be the cost of Sir Frederick Palmer's complete scheme?

Hon. Mr. DANDURAND: It all depended on the Canadian Pacific coming in.

Hon. Mr. HAIG: Suppose they did not come in?

Hon. Mr. DANDURAND: Mr. Fairweather, what would be the cost?

Right Hon. Mr. MEIGHEN: We shall have his evidence, but no one will be allowed to reply.

Hon. Mr. DANDURAND: Mr. Fairweather, what would be the cost of the larger scheme, leaving aside whatever would have to be expended for the Canadian Pacific to come in?

Mr. FAIRWEATHER: The estimate of cost prepared by Sir Frederick Palmer of the central terminal and all the other changes he foresaw as being necessary in Montreal for Canadian National Railway requirements was, I think, \$45,000,000. That encompassed a good deal more than is encompassed in what the Canadian National are now doing.

Hon. Mr. BLACK: I suggest we have a vote on it.

Hon. Mr. DANDURAND: Yes. I want to close with this statement. I have looked at the report of the Royal Commission to inquire into Railways and Transportation in Canada. It will be remembered that this work was going on from 1929 to 1931, and that the Duff Commission was appointed in 1931. They had before them that situation, they knew what was going on in Montreal and what was planned. I have tried to find out if they touched upon the question of terminals. I find their only allusion to the subject is at page 66, touching "Jurisdiction of Arbitral Tribunal." Section 215 reads:—

The Arbitral Tribunal ought not to have jurisdiction to order the construction of extensions and additions to existing lines and facilities, except in such minor matters as connections to give access to existing tracks and terminals which by order of the Arbitral Tribunal or otherwise are used, or are to be used, in common. Subject to the provisions of any statute relating to any particular railway, the Arbitral Tribunal

will have full jurisdiction as to measures, plans and arrangements for the joint use of tracks and facilities.

This was given effect by the Bennett Government in the Canadian National-Canadian Pacific Act of 1933. What does subsection 4 of section 17 concerning arbitration in case of disagreement say? Let me read the subsection:

No Tribunal shall have power or jurisdiction to settle, determine or order that any measure, plan or arrangement should or shall consist of or include any agreement for the construction of extensions and additions to existing railway lines, terminals or facilities except in such minor matters as connections to give access to existing lines, terminals or facilities which, as the result of the settlement or determination of any dispute by any Tribunal or otherwise, are used or are intended to be used in common.

That is the law to-day and governs the C.P.R. as well as the Canadian National. This Act, which was sponsored by the Bennett Government and submitted to the Senate by Right Hon. Senator Meighen, declares that no Arbitral Tribunal shall have anything to do with the question of terminals.

As I say, the Duff Commission was fully aware of the whole situation in Montreal, and recommended that such questions as those dealing with terminals should be excluded from the jurisdiction of the proposed arbitral board. Consequently we are back to the plan of 1929, approved by Parliament.

Under these conditions I submit that in the short time at our disposal we should not attempt to re-open the question of a union station at Montreal, and hear engineers from the Canadian Pacific and from the Canadian National in respect to it. The evidence presented in 1929 on the plan of the Canadian National, based upon a study by its engineers, is still before us, and if we decided to hear further engineering evidence, how much more advanced should we be after listening to it? It would merely afford further opportunity to the Canadian Pacific to continue its propaganda throughout the country against the policy and administration of the Canadian National Railways.

Last week we had that very question before us, and the chief engineer of the C.P.R. was to be heard. He was not heard. But already the publicity department of the C.P.R. had a commentary distributed to the press of the evidence of Mr. Armstrong. It just happened—

Mr. FLINTOFT: Senator Dandurand, before you go further on that, may I say that I am in a position to state positively that that information was not furnished to the press by the Canadian Pacific. I know what you are going to refer to. It was, as Mr. Fairweather described, a very intelligent guess as to what our evidence was going to be. We have not distributed our memorandum to a soul. I think I am entitled to ask you to accept my statement.

Hon. Mr. DANDURAND: I have in my hand a statement that was to go to the press. I do not say it was from the C.P.R.

Mr. FLINTOFT: Then is it fair to say it came from the C.P.R.?

Hon. Mr. DANDURAND: My friend says it does not, so I will refrain from submitting it to the committee. If, however, the committee decides to reopen the door and discuss the question of a union station at Montreal then, of course, I would see if the statement I have in my pocket is comment on the evidence that Mr. Armstrong was expected to present.

I intend to oppose the suggestion of my honourable friend.

Hon. Mr. HORSEY: It seems to me we are making an unprecedented move in deciding to reopen the question of the Montreal terminal.

Hon. Mr. BLACK: I move that we adjourn.

Hon. Mr. DANDURAND: Is not the committee ready to dispose of this question?

Right Hon. Mr. MEIGHEN: No. I shall have something to say with regard to it, but I shall not take more than one-fifth of the time my honourable friend took.

Hon. Mr. DANDURAND: But I had to explain the situation.

The committee adjourned, to meet again after the Senate rises this afternoon.

The committee resumed at 5.35 p.m.

Mr. BIGGAR: Mr. Chairman, Senator Haig asked Mr. Fairweather for some figures with regard to the lines that had been acquired since 1921.

Hon. Mr. HAIG: Acquired or built.

Mr. BIGGAR: Yes; acquired or built. Also the difference between the earnings on those lines and the returns from them.

Mr. Fairweather has sent me a statement showing that the mileage acquired or constructed since January 1, 1921, 2,272 miles. The cost of construction or acquisition is \$85,483,300. The net income results, after interest and taxes are deducted, is a deficiency of \$3,577,700. Of the total of 2,272 miles, 36 earned enough to pay operating expenses, taxes and interest; 58 more paid operating expenses but failed to earn taxes and interest, and the remaining 2,178 miles failed to pay operating expenses by \$3,550,700. It is for one year only.

This will be Exhibit No. 104.

Hon. Mr. DANDURAND: Honourable senators, there is an error in the report of our proceedings at page 120 of No. 3. We were discussing the attitude of the Duff Commission towards unification. I said:—

The Duff Commission rejected unified management and amalgamation, and the reasons why they did so are quite apparent.

And so forth.

Right Hon. Mr. MEIGHEN: They did not mention any reason.

Hon. Mr. DANDURAND: In their questions put to Sir Edward Beatty, Sir Joseph Flavelle and Mr. Loree said they did not believe the country would stand for such an octopus.

Right Hon. Mr. MEIGHEN: They asked a question about that. They gave no reasons. I got the idea that maybe they had been reading a speech about "Amalgamation Never."

Then comes the error in the report in a remark attributed to me:—

Hon. Mr. DANDURAND: Sir Edward Beatty said that if there was unification there would come a time when the country would say, "Let us break it up."

Sir Edward Beatty's name should be replaced by Sir Joseph Flavelle's, for the comment was made by Sir Joseph. Sir Edward did not express any opinion himself. I suppose that is satisfactory, Mr. Flintoft?

Mr. FLINTOFT: Yes, sir.

The CHAIRMAN (Hon. Mr. Beaubien): Gentlemen, when we adjourned this afternoon a motion had been made by Senator Meighen to the effect that Mr. Flintoft, an officer of the Canadian Pacific Railway Company, be heard with respect to the Montreal terminal station.

Do you want to speak to that, Senator?

[Mr. E. P. Flintoft.]

Right Hon. Mr. MEIGHEN: I do want to say a word to it, though I cannot express any hope of being able to add anything to what I said before.

The leader of the Government devoted half his time to one argument and half to another. To his first argument I will make no reply. In that he attempted to uphold the wisdom of the selection by the Canadian National of their Montreal terminal. His second argument was that a discussion of that subject was not within the purview of this Committee. If that is so, one wonders why he made his first argument. I contend that the subject is as distinctly within our purview as anything could be. I am not expressing an opinion on the Montreal terminal. I should like to hear evidence on it, but if we cannot hear it let us so decide and get on with our work. To argue that we cannot report on whether savings could be made in the Montreal terminal situation is to my mind unsound.

Hon. Mr. DANDURAND: But the question would be the choice of a location of a union terminal.

Right Hon. Mr. MEIGHEN: We know that several proposals have been under review in the press and other quarters as to what should be done in Montreal and as to what could have been done there in the past. We are here to inquire into the cause of our railway deficits and to seek a remedy for them. Those supporting one point of view say that a vast amount of money could be saved, or, if things have gone too far already, that vast amounts of money could have been saved. In either event, it is for us to report upon that. Imagine our taking the stand that we can accept evidence here to show that a single terminal should be built at that point where the hole is—

Hon. Mr. DANDURAND: At the tunnel.

Right Hon. Mr. MEIGHEN: Imagine our accepting a long brief on that, and a still longer argument in support of it, and then saying, when anyone comes to advance anything to the contrary, that we are sorry, but the subject is not within our purview at all and we cannot hear any further proposals. How can we argue that? It passes my comprehension. If we have nothing to do with this subject we should not have heard any evidence on it. But we did hear a vast amount of evidence on it, and quite properly, in my judgment. If we can save money at Montreal or anywhere else we ought to do it. To say that a certain course would mean a change in the Canadian National's plans is no argument, because every saving changes the plans of one road or the other, or of both. For instance, if we recommend further pooling, that would be recommending a change in the plans of the roads. And it is no reply to say that Parliament decided upon the Montreal terminal in 1929. In 1933 Parliament decided upon a policy of co-operation. We are here to inquire if the railways did co-operate. It is alleged that in Montreal they did not, but now we are told that we can hear only one side of the story and not the other.

Hon. Mr. MURDOCK: Would you please touch upon the Act of 1933?

Right Hon. Mr. MEIGHEN: I was not going to go into that, because it has nothing to do with the subject. The leader of the Government says that a section of the Act of 1933 provides that if a case concerning a co-operative proposal came before the tribunal, an order could not be made requiring one of the railways to go to large capital expense in connection with, say, a terminal; that the tribunal could only order one company to admit another to its terminal or order that certain changes be made to allow the other company to come in. In other words, that it could only order minor expenditures involving a scheme of co-operation. Of course, we did not empower the tribunal to order a company to go to the expense of \$10,000,000 for a terminal. We never dreamed of such a thing.

Hon. Mr. CALDER: Pardon me a second, Senator Meighen. What would have been the situation if, years ago, the Canadian Pacific and the Canadian

National had considered co-operatively a question of saving large economies on a terminal in Montreal and had applied to the tribunal? Would the tribunal not have had the right to make an order then?

Right Hon. Mr. MEIGHEN: I was just coming to that.

Hon. Mr. DANDURAND: The thing is that the tribunal could not have settled it.

Hon. Mr. CALDER: No; it could have.

Right Hon. Mr. MEIGHEN: Suppose, for example, the Canadian Pacific had formulated a plan for the modification and extension of its terminal, so as to admit the Canadian National into it, on certain terms, and had said: "We are ready to go to this expense for a joint terminal, on certain conditions. It does not involve construction by the Canadian National, but it does involve certain line adjustments and so on, covered by the section." They could go to the tribunal and the tribunal could order it done, under the section which the leader read.

Hon. Mr. DANDURAND: And force the Canadian Pacific to spend \$10,000,000 to admit the Canadian National to their station?

Right Hon. Mr. MEIGHEN: No. You do not follow me. The Canadian Pacific could say, "We are ready to make certain expenditures—maybe two or three or four or five or six millions—to our terminal, to provide for admission of the Canadian National, on such and such conditions, which we think are fair. The Canadian National would have to build their lines in." The tribunal could order that done.

Hon. Mr. DANDURAND: No. If my right honourable friend will read the section he will see that that could not be done.

Right Hon. Mr. MEIGHEN: I will read it now:

No tribunal shall have power or jurisdiction to settle, determine or order that any measure, plan or arrangement should or shall consist of or include any agreement for the construction of extensions and additions to existing railway lines, terminals or facilities except in such minor matters as connections to give access to existing lines, terminals or facilities which, as the result of the settlement or determination of any dispute by any tribunal or otherwise, are used or are intended to be used in common.

So the tribunal could make such an order as I have said. One railroad might say "We will make these extensions now and permit the other road to come in." And the tribunal could enforce that. The tribunal could not order the expenditures to be made, but the railroad might say it is ready to make them.

But aside from that, the railroads are called on generally to co-operate. Now, if it was the duty of the Canadian National, on the one hand, and the Canadian Pacific, on the other, to get together and seek the most inexpensive terminal that would facilitate the giving of essential public services in Montreal, ought we not to report on it? Can anybody say we should not? If the Canadian National and the Canadian Pacific should have got together and saved money, and still provided essential services, but did not do so, does the leader stand here and tell us that is none of our business?

Hon. Mr. DANDURAND: The question is far more simple. The Canadian National say, and Sir Frederick Palmer said, that all the plans we have seen show that a union station can only be built at the tunnel. But the Canadian Pacific say that it should be at the Windsor station. And there they are.

Right Hon. Mr. MEIGHEN: Very good, and the leader says that we should hear what Mr. Palmer and others say, but that we cannot hear what the C.P.R. says. He did not always take that stand. I invite him to look at page 59 of the Debates of the Senate of this Session, where in reply to Hon. Mr. Côté, he said:—

[Mr. E. P. Flintoft.]

They have not raised their voices, but we know the Publicity Bureau of the Canadian Pacific Railway and Sir Edward Beatty are constantly on the job and constantly stressing the fact that the Canadian National is losing large sums of money. I think the Canadian Pacific Railway representatives would appear in a better light if they were candid about their campaign and spoke of their own needs. We shall discuss these matters when we go into Committee.

He is more specific at page 12 of our own Committee proceedings, where the following appears:—

Right Hon. Mr. MEIGHEN: We could hear from the two railways if we have asked them to do that.

Hon. Mr. DANDURAND: We have asked them to do that.

Hon. Mr. COTÉ: Are they going to deal with the matter of joint terminal facilities in Montreal?

Hon. Mr. DANDURAND: In asking them to tell us what they have done since last July towards co-operation we shall very likely strike the terminal situation.

Hon. Mr. DANDURAND: Yes.

Right Hon. Mr. MEIGHEN: But when we have struck it, the donkey engine turns off, and the leader of the Government comes and takes charge of the engine.

Hon. Mr. DANDURAND: When I said we would examine it I did not say the Canadian Pacific would come and butt into this problem of the terminal of the Canadian National Railways.

Right Hon. Mr. MEIGHEN: What the leader meant was that we would examine what one side would say, but not what the other would say. I could read right on. Time and again that took place.

The Government is in a pretty difficult position in relation to this terminal situation. I want to submit this to the followers of the Government—I am sorry to see them lined up in that way; we are not lined up over here; we are trying to carry out the mandate given this Committee—two members of this Government promised the people of Canada that this terminal would be built months before any board of directors decided on it at all. I have here quotations from speeches of two members of the Government, taken from the *Montreal Gazette* of January 17 and from *La Presse*—one in French and one in English—and it was not until eleven months later that any action was taken by the board.

Hon. Mr. MURDOCK: What year?

Right Hon. Mr. MEIGHEN: 1938. The board first took action in December, 1938, after the direction had been given by the members of the Government. Then the leader comes here and says, "Don't you dare go into this; the Canadian National has decided the whole thing."

Hon. Mr. DANDURAND: They have.

Right Hon. Mr. MEIGHEN: That is a very easy way to shut off this Committee. All the Canadian National has to do, apparently, is to decide that it will not co-operate at Woodstock, that it will not co-operate at Winnipeg, or Toronto, or Montreal, and the leader of the Government will say, "That ends the subject. We will not go into it."

Hon. Mr. DANDURAND: Oh, no.

Right Hon. Mr. MEIGHEN: That is fine service.

Hon. Mr. DANDURAND: There is a clear-cut division as between the Windsor Station and the Terminal.

Right Hon. Mr. MEIGHEN: Why hear one side and not the other?

Hon. Mr. DANDURAND: Because I do not suppose we want to go into the matter of a Union Station and decide on the location as between the Windsor Station and the Terminal.

Right Hon. Mr. MEIGHEN: I know the leader is so inclined, and from indications I anticipate he is going to be supported, so I am going to put him on record, and ask for a vote of the Committee.

Hon. Mr. HORSEY: Mr. Chairman, when the Committee rose at noon I was about to observe that I felt we were going rather far afield, and in a discriminatory manner, in specially and specifically taking up this matter of the Montreal Terminal and in proceeding to make an investigation of it.

Right Hon. Mr. MEIGHEN: Why?

Hon. Mr. HORSEY: We have had a good many co-operative matters laid before us, and whenever we found the co-operative committee could not reach a solution of the matters before them we invariably decided not to make any special investigation with regard to them. Take, for instance, the line abandonments. When one road came along and said they could make abandonments of 5,000 miles, and the other road differed, we never thought of making an investigation. As the honourable senator from Saltoats (Hon. Mr. Calder) said a number of times, we did not feel qualified by reason of not having the necessary technical knowledge, to decide what line should be abandoned or what economies could be made. But here we come to the Montreal Terminal, which would seem to be very different from all the other matters respecting which economies could be made, and I feel that this Committee is not technically qualified to make an investigation and decide where the Union Station should be.

Right Hon. Mr. MEIGHEN: Is there any other subject on which we have heard from only one side?

Hon. Mr. BLACK: I was going to ask that. Certainly the Committee is entitled to hear any and every side on every subject.

Hon. Mr. HORSEY: But in all the other co-operative matters where there was disagreement there was no suggestion that we should hear the other side.

Hon. Mr. DANDURAND: We know what is the other side.

Right Hon. Mr. MEIGHEN: Why should we not hear it?

Hon. Mr. DANDURAND: Shall we go into this matter and decide what is to be the location of the Union Station in the years to come?

Right Hon. Mr. MEIGHEN: If it is too big we should not have had the first half of it.

Hon. Mr. DANDURAND: The Canadian National was spending this money to develop its own system for its own needs, and that is why I said the Canadian Pacific had no right to proceed in this matter.

Hon. Mr. HORSEY: And Mr. Flintoft, I think, said the need was great and that something ought to be done to co-ordinate the Canadian National.

Hon. Mr. ROBINSON: I was not here this morning, but I have been wondering considerably about the wisdom of going into an examination of the different projects. If you start in on one you have to go all over the line and go through them one by one and attempt to decide upon each separate project of amalgamation or whatever you call it. If you start that I do not know where you are going to land. We will either be here all summer or we will get nowhere at all. It seems to me that we are going into a phase of this matter that takes us so far afield that the work of the Committee will not accomplish anything at all.

There is another feature that appeals to me. This is something which, so far as the Canadian National Railways is concerned, with the approval of the Government, had been decided upon.

Hon. Mr. DANDURAND: And they passed an Order in Council.

Hon. Mr. ROBINSON: And it is a matter of Government policy. That, I think, is the point Mr. Meighen made, and he said the Government would be in a ridiculous position, although those are not the words he used. But are we

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going to constitute ourselves a fault-finding committee with respect to Government policies, or are we going to try to find some solution?

Right Hon. Mr. MEIGHEN: I thought the Canadian National was independently operated.

Hon. Mr. ROBINSON: I am taking the right honourable gentleman's words. I understood him to intimate that the Government was behind this. And no doubt it is. Not only is it a matter connected with railway. It goes further and deals with unemployment. Forty per cent of the cost, I understand, is for unemployment, and that makes it a matter of Government policy if nothing else does.

I feel that if we go into this we will have to hear all sides, and then if any questions arise I suppose we will have to adjudicate on every question that comes up from one end of the road to the other. That does not seem to me to be a matter for the Senate Committee. I may be all wrong, but it does seem to me to be a great mistake to attempt to reopen the question. No doubt the argument pro and con would be very interesting, but I do not think we should proceed further in that direction.

Right Hon. Mr. MEIGHEN: You have it all pro already.

Hon. Mr. ROBINSON: Oh, no. I think the con has had something to say in the newspapers. I have seen quite a lot in the Montreal newspapers and in reports of meetings of boards of trade on the con side.

Right Hon. Mr. MEIGHEN: That is not here.

Hon. Mr. ROBINSON: There has been more con than pro. However, that is my viewpoint. I should be very reluctant to go into the matter again.

Hon. Mr. CALDER: Mr. Chairman, I have already dealt with this question and I do not propose to take up much further time discussing it. To me, the question resolves itself into this: whether this committee has any right to inquire into the Montreal terminals. It is a matter of settled Government policy. From the time I have been on the committee I have taken an entirely different view of the whole situation. This committee was appointed for a specific purpose, that of ascertaining whether or not any means could be found—and there was no limitation—whereby economies could be affected.

The situation to-day is not at all as it was in 1929. It is entirely different economically and in many other respects. We have, in a sense, nothing to do with what happened in 1929. All we were authorized to do was to make an inquiry along the lines I have indicated. Because a man by the name of Palmer came here in 1929 under conditions then existing and recommended a certain thing which, not long afterwards, was adopted, is to me no reason at all why this committee is not clothed with power to inquire into everything that might attain the object which we have in view. Even the fact that the Government themselves have adopted a certain terminal as a matter of policy—

Right Hon. Mr. MEIGHEN: The Government?

Hon. Mr. CALDER: It is the same. I do not separate them for the purpose of my argument. I mean, even if the C.N.R. and the Minister of Railways, and those associated with him, reached the conclusion that that terminal should be proceeded with, that does not in any sense curtail our powers.

The duty passed upon us is to ascertain where economies may be effected. I am taking only a newspaper statement, but some newspaper at some time, if my recollection is correct, has intimated the possibility of a saving of \$12,000,000 on this question alone. But surely we have the right to inquire into that as a duty. As to the expediency of doing so, as referred to by Senator Robinson, that is an entirely different thing. If we open it up we may be here a long time; we may never complete our work. That aspect we must consider. But I take issue on the question of what is our duty and our right in this inquiry.

I have all along held the view that wherever it is possible for this committee to ascertain where in any respect large economies can be effected, then, it is our duty to make the necessary inquiry.

Now, are we going to do our duty in so far as this terminal is concerned if we leave the question where it is? You know what has been put before us. It may not be part of our record, I do not know, but there has been submitted to us—we all got copies and were asked to read them—there has, I say, been submitted to us a statement made by the C.N.R. officials respecting this whole terminal station. That statement was made somewhere else, not here.

I think our duty and responsibility are quite plain. Notwithstanding the fact that the C.N.R. have taken a certain decision, and that Parliament itself has approved that decision and passed the necessary vote—

Right Hon. Mr. MEIGHEN: Not this Parliament.

Hon. Mr. CALDER: How are they proceeding with this work, then?

Right Hon. Mr. MEIGHEN: The Commons has, but the Senate of Canada has never yet approved of any vote applying to that terminal.

Hon. Mr. CALDER: It is in the estimates this year.

Right Hon. Mr. MEIGHEN: That may be, but it is not approved.

Hon. Mr. CALDER: I say that notwithstanding those facts, notwithstanding that there has been Government policy up to a certain point in the past, that does not debar us from making any inquiry we think necessary along that line in order to discharge the responsibility that has been cast upon us.

Hon. Mr. DANDURAND: When we have heard experts on both sides where shall we be at as between the Windsor station or the terminal?

Hon. Mr. CALDER: That argument does not apply at all. The same argument can be applied to all evidence. We have had lengthy argument as to the routing of traffic from Winnipeg to Port Arthur. What do we know about it? Of what use was it to us?

Hon. Mr. DANDURAND: But we made no report upon it.

Right Hon. Mr. MEIGHEN: We have not reported on anything yet.

Hon. Mr. CALDER: As Senator Meighen says, we have not reported on anything yet. We may not report on this terminal. We do not know at all.

Hon. Mr. DANDURAND: But Senator Horsey has said that where the parties disagreed on a certain improvement, there it stopped. The two railways were in disagreement.

Hon. Mr. BLACK: Mr. Chairman, I feel we are making a mistake. I suppose we have to abide by that mistake. So far we have not refused to hear anybody, and as a result we have had a repetition of evidence from time to time. We have had a multiplicity of evidence on the same subject.

I do not think if we hear what may be said by the C.P.R. it will change our attitude very much. Evidently the Government have decided, in conjunction with the railway authorities, to go on with this new terminal. But we accepted and put on the record—correct me if I am wrong—the evidence given before a parliamentary committee in another place on the why and wherefore of building a new Tunnel station. Personally I did not object to that evidence going on the record; in fact I was quite in accord with the proposal that it be so dealt with. But it leaves a bad taste in my mouth to think that this Committee is going to say, “Yes, we will hear one side of the case, indeed we have heard that, but we will not hear the other side.”

I want to see this committee deal fairly with all parties, but I do not think we shall be doing so if we adopt the attitude expressed by the honourable leader of the House. If this is insisted on, I shall go from this Committee with a very dissatisfied feeling. I do not expect the two railways will come together in

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regard to the terminal at Montreal, and I am not advocating that they should, but I do say we should at least hear what the other side have to present to us. I do not desire to enter into any further discussion about the matter.

Hon. Mr. CALDER: You do not expect this Committee to decide?

Hon. Mr. BLACK: Not at all. But when we say we will not hear the other side, we take an attitude that is to my mind very unfair. It gives me a feeling of distress that we should refuse to hear one side of an argument.

Hon. Mr. DANDURAND: The question of the location of a future union terminal in Montreal is not before us, and we cannot settle it.

The CHAIRMAN (Hon. Mr. Beaubien): Gentlemen are you ready to vote on the motion?

Hon. Mr. HUGESSEN: Will you read the motion again, please?

The CHAIRMAN (Hon. Mr. Beaubien): That Mr. Flintoft, an officer of the Canadian Pacific Railway Company, be heard with respect to the Montreal terminal station.

Hon. Mr. HUGESSEN: Mr. Chairman, I think that motion is altogether too inadequate. If we are going to enter into this question of the Montreal terminals, we should hear representations from more than two parties. I suggest that if the right honourable gentleman is eager to have every phase of the Montreal terminal situation discussed, his motion should read something like this:—

That all parties interested in the Montreal terminal be invited to present their views to the Committee.

We have heard too much about two sides.

Right Hon. Mr. MEIGHEN: There is only one party now before us asking to be heard. We are dealing with that.

Hon. Mr. HUGESSEN: I have received communications from individuals and societies interested in this matter from the point of view of Montreal. If we listen to Mr. Flintoft I see no reason why we should not listen also to Mr. Searphin Ouimet, the City of Montreal, the Montreal Civic Improvement League, and other bodies who are vitally interested in this matter.

Hon. Mr. HAIG: Bring them on.

Hon. Mr. HUGESSEN: All that I want to point out is that I think the motion before the Committee is not adequate to achieve what apparently is the object, or at least what is the only object I should vote for.

The CHAIRMAN (Hon. Mr. Beaubien): Have you an amendment?

Hon. Mr. HUGESSEN: No.

The motion was then negatived, on the following vote, by show of hands: for, six; against, seven.

The CHAIRMAN (Hon. Mr. Beaubien): Gentlemen, I have a letter here addressed to my colleague (Right Hon. Senator Graham) and myself, from Mr. G. R. MacLeod, who for a good many years was chief engineer for the City of Montreal, offering to appear before the Committee, particularly with respect to the Montreal terminal. Is it your desire to hear him?

Hon. Mr. DANDURAND: No.

Right Hon. Mr. MEIGHEN: I move that he be heard. Will you please read the letter?

The CHAIRMAN (Hon. Mr. Beaubien): The letter, which is addressed to my colleague and myself, reads:—

A few weeks ago I wrote you gentlemen offering to appear before your Committee to give evidence which certain important citizens of Montreal and myself considered would be of value to your Committee

in studying the Canadian National Railway situation, and particularly the question of the Montreal railway terminals.

I would respectfully enquire whether I am likely to be called by your Committee, and if possible, the approximate date.

I have been in Ottawa for the past few days on business, and can be reached, if required, at the Chateau until Friday.

Yours respectfully,

G. R. MACLEOD.

Right Hon. Mr. MEIGHEN: I move that he be heard. He has been in a position to study the subject thoroughly, and I think he would be able to give the Committee some information.

Hon. Mr. PARENT: Surely no better than Mr. Flintoft himself.

The CHAIRMAN (Hon. Mr. Beaubien): This is from a different point of view. Since Mr. MacLeod has ceased to be the engineer for the city of Montreal he has been retained, I understand, by the Montreal Planning Commission, and has made a special study of that portion of the city which would be developed by the central terminal.

Hon. Mr. BLACK: I fail to see any advantage in hearing Mr. MacLeod. We have decided not to hear Mr. Flintoft. Why go any further?

Hon. Mr. DANDURAND: If the Committee follow Senator Black's suggestion that will save me the trouble of explaining anything further in this connection.

Hon. Mr. ROBINSON: I presume Mr. MacLeod has placed his views before the Canadian National and the Government

The CHAIRMAN (Hon. Mr. Beaubien): I cannot tell you whether that has been done or not.

The motion was then negatived, on the following vote, by show of hands: for, five, against, seven.

The CHAIRMAN (Hon. Mr. Beaubien): I have a letter here from another gentleman who wishes to be heard, Mr. Seraphin Ouimet. He would like to address us not only with respect to the Montreal terminal, but on the whole subject-matter which is before us. He was told that he should send in a synopsis of the evidence he wanted to give. He did send one, but it was found to be insufficient, so he was written to again and asked for another. Here is his second brief, which I am passing over to the leader.

Hon. Mr. HAIG: If we do not intend to go into this, why have a long discussion over it?

Hon. Mr. BLACK: I do not think we should hear any more witnesses. The evidence has been shut off, and we should stop. We are just wasting our time.

Hon. Mr. DANDURAND: I am not in favour of hearing Mr. Ouimet, because I know the ground he intends to cover, and it would not be helpful to the Committee.

The CHAIRMAN (Hon. Mr. Beaubien): What is your wish, gentlemen? Should Mr. Ouimet be heard?

Some Hon. SENATORS: No.

Hon. Mr. DANDURAND: Here is what Mr. Ouimet wrote on March 16:—

In resumé I am going to prove that the revenues of our railways could be augmented by more than 50 millions annually with the aid of the Imperial Government, with co-operation, with or without fusion; and this without repudiation of debt, or diminution of salaries.

[Mr. E. P. Flintoft.]

This method is presently before the Imperial Government, the Bank of England and British finance. The legislation is also in the hands of the Procurer General of the Province of Quebec—

Hon. Mr. COTÉ: May I interrupt and move that he should not be heard?

The CHAIRMAN (Hon. Mr. Beaubien): Is that your wish, gentlemen?

Some Hon. SENATOR:: Yes.

Right Hon. Mr. MEIGHEN: Mr. Chairman, I have another motion.

The CHAIRMAN (Hon. Mr. Beaubien): Gentlemen, Senator Meighen has another man to be knocked down.

Right Hon. Mr. MEIGHEN: Mr. Chairman, I wish to move:—

That the evidence before this Committee be submitted to a firm of railway engineers and accountants of high standing, free from all interest in either railway system, to the end that such firm may study such evidence and especially its practical railway engineering and accounting features, and make such physical examination as it may deem necessary, with a view to making a full report before this Committee as to what in the judgment of such firm would be the amount of savings which could be effected by a system of unified management, and to what extent, if any, such savings would entail an impairment of services to the Canadian people.

Hon. Mr. PARENT: That would be deciding on our report.

Right Hon. Mr. MEIGHEN: It is a motion to submit the evidence to an impartial firm of railway engineers and accountants. I am ready, if the motion carries, to discuss a plan by which such a firm could be selected. I have no firm whatever in mind, and I should be agreeable to any fair plan of selection. If the motion is not accepted, there will be no use in discussing the matter. But I would emphasize this point. In my view this Committee, having had the advantage of hearing and examining witnesses this session and last, and of making a prolonged and special study of the subject, can come to a pretty intelligent opinion as to where the merit is and what is the best thing to do. I do not dispute that we can; but as we are in no sense railway men we have not any expert knowledge of the subject, and the public would be better satisfied to have a report from such a firm as I have suggested. Furthermore, what I have suggested would advance the whole study of the subject by the public of Canada, which is essential. My own view is that nothing is much more essential. It is important that the public have these views put before them from an authoritative source. I think such a firm in rendering its report would decide issues which have phases of technical railway importance and relevance, and that such a report would be satisfying to the country and well worth while.

I do not say we cannot come to a fairly intelligent view—we cannot decide as to figures—but I do not think a report would be accepted by the public unless the person who made it was in a position to speak with authority. There, in a few words, is the reason for the motion.

Hon. Mr. BLACK: And the report would be made to this Committee.

Hon. Mr. CALDER: My own view is that this Committee at the present time, even after all the evidence we have heard, is not in a position to report much more than the facts which have come before us. I doubt very much if we are in a position to report our judgment upon these facts. I doubt if we are able to report on what should be done if these facts are proven to be untrue or if others do not agree with them.

Mr. Meighen, I think, has put his finger on the real purpose of the Committee. No matter what view we may take personally regarding this railway situation, we all now realize, I think, that the railway as a transportation facility

is on the down-grade; and if I am not mistaken, as years roll by it will be more and more on the down-grade, and some day the people of Canada will have to solve this question. I am strongly inclined to the view, however, that they still have in their heads certain ideas as to the necessity for competition, and a certain fear of monopoly.

Hon. Mr. DANDURAND: That is the first hurdle to make.

Hon. Mr. CALDER: Exactly.

Now, in Great Britain the public, who had the same fear as our people have, to a great extent have got rid of it. Notwithstanding that Great Britain is a small country and they had all kinds of competitive services, they have completely dropped their fear of monopoly and their desire for competitive service. We are a long way from reaching that point in Canada, and my view is that the principal duty of this Committee is to inform public opinion from the evidence which has been submitted to us. The people of Canada are going to have this question before them for many years to come and our chief work in all that we have done in two sessions has been to transmit to the public mind of Canada certain facts as regards the situation.

Now, the main fact, or the main series of facts, that the public of this country are entitled to have are those relating to the possible economies that can be effected if certain courses of action are pursued. We have figures, it is true, but we have no authoritative figures, no figures from independent people who are removed from likes and dislikes. As a matter of fact, what have we witnessed here all along? We have had two sets of officials, each vying with the other to substantiate their own viewpoint. That is all we have had; nothing more; and in so far as the work of this Committee is concerned we are left high and dry as to the chief purpose we should have in mind all the time, namely to get as far as we can absolute facts as to what economies are actually to be effected and as to how they can be effected. So I say our work cannot and will not be done until the public get these facts, and that they will not have that information to which they are entitled unless a real body of experts takes the figures submitted to us and digests and adjusts them so that the people of Canada can understand what the situation really is.

Hon. Mr. DANDURAND: I think the motion of my right honourable friend—

Hon. Mr. CORÉ: It is 6.30, and I have to leave.

Hon. Mr. DANDURAND: I simply wanted to say that while I have an opinion upon this proposition of my right honourable friend, I am not at the moment ready to voice it.

The Committee adjourned until Thursday, May 4, at 11 a.m.

EXHIBIT No. 103

STATEMENT SUBMITTED BY THE CO-OPERATIVE LEGISLATIVE COMMITTEE OF THE STANDARD RAILWAY LABOUR ORGANIZATIONS TO THE SPECIAL RAILWAY COMMITTEE OF THE SENATE APPOINTED TO INQUIRE INTO AND REPORT UPON THE BEST MEANS OF RELIEVING THE COUNTRY FROM ITS EXTREMELY SERIOUS CONDITION AND FINANCIAL BURDEN CONSEQUENT THERETO.

OTTAWA, ONT., April 25th, 1939.

Honourable Gentlemen:

On behalf of the Co-Operative Legislative Committee of the Standard Railway Labour Organizations representing substantially all employees engaged in the steam railway industry in Canada, we desire to express our sincere appreciation for the opportunity to appear before your Committee to make a reply to certain allegations which have been made with reference to the wages and working conditions of the employees we represent.

We submit that these attacks on our wages and working conditions are wholly unfair and unwarranted, and designed primarily to influence public opinion against labour unions and the railway brotherhoods. We refer specifically to the testimony of Professor John L. McDougall of Queen's University, who appeared before your Committee on March 21, 1939, and to a somewhat similar line of testimony by Mr. C. W. Peterson, Editor of the *Farm and Ranch Review*, who appeared before your Committee on March 28.

Before going into the question of wages and working conditions of railway employees, we desire to comment briefly on certain statements which were made by Mr. Peterson with regard to our international railway labour organizations.

At page 99 of the Proceedings under the caption "Foreign Control of Railway Labour," Mr. Peterson made reference to the international character of our organizations and conveys the impression that they are a menace to Canada and are subject to dictation, from a foreign country even to the extent of being influenced to go out on strike for higher pay in the interests of uniformity of compensation on both sides of the line, and at page 100 he states: "I cannot imagine a weaker or more vulnerable instrument for dealing with labour disputes of large dimensions than a democratic government." At page 104 Mr. Peterson states: "Successful control and socialization of business necessitates a political dictatorship, able to restrain the unionization of labour for bargaining purposes. That has been demonstrated over and over again in Europe since the War. . . ."

In reply to Mr. Peterson's statements, which we consider are of an irresponsible nature, uttered without mature thought, and without knowledge or regard for the true facts, we would first say that the international railway labour organizations have been in existence for as many as seventy-five years, have an enviable record of constructive service to their credit and are considered by sane thinking people as responsible organizations capable of carrying out any agreements into which they may enter. We challenge Mr. Peterson, or any other person, to prove a case where these organizations have not been law-abiding or have violated any of their agreements with the railways. The Canadian railways themselves are international, in that they cross international boundaries and hold membership in an international organization known as the Association of American Railways. Financial institutions know

no boundary lines, nor do Fraternal societies, service clubs, insurance companies, the Church and countless business firms. Yet Mr. Peterson seems to think that it is improper for railway employees to belong to international organizations and even suggests that our democratic form of government should be abandoned in favour of a political dictatorship such as is now in existence in some European countries in order to restrain the unionization of labour for bargaining purposes. Perhaps Mr. Peterson would prefer to live in one of those countries where he might find conditions more to his liking.

It may interest you to know that our organizations are the most democratic institutions in the world and one of our strongest bulwarks against the forces of communism, fascism or any other ism which is opposed to our democratic form of government. We not only preach democratic ideals, but we practise them.

The control of these organizations is vested in the membership and not in the officers as Mr. Peterson suggests. The membership elects the officers of the organization, and formulates the policies which those officers must follow. Could anything be more democratic?

With regard to Mr. Peterson's charge that these organizations are subject to foreign domination even to the extent that the Canadian membership could be influenced to go on strike, we wish to make it clear that the membership of the international railway organizations in Canada elect their officers and committees from among their own ranks, have complete autonomy over their own affairs, conduct their own negotiations with management with regard to wages and working conditions and cannot under any circumstances be ordered to go out on strike by anyone domiciled in a foreign country. A strike can only be called after the Canadian membership concerned has voted in favour thereof of their own free will and accord and without coercion of any kind. The authority of the Chief Executives to call or veto the calling of a strike is predicated solely on the result of the vote of the membership involved.

At page 99 of the Proceedings, Mr. Peterson indicates that the international railway organizations are so powerful that they have been able to coerce their employers and the public into acquiescing in an excessive wage scale. We appreciate the compliment which he pays to the strength of our organizations, but unfortunately his statement is not a fact. The officers of the railways are astute business men who are forever watchful of guarding the interests of the railways under their jurisdiction and it has been our experience that they are fully capable of protecting those interests. We take pride in the industrial statesmanship which has been displayed by our organizations and the fine relations which have existed with the railway managements for many years.

Mr. Peterson has also made a great many other charges but we do not desire to take up the time of the Committee to answer them in detail. A careful examination of his testimony will show that not only is he grossly uninformed with regard to the international railway labour organizations and their wages and working conditions, but his statements for the most part were wholly unsupported by proof of any kind. The words "I think" and "I believe" run throughout his testimony, which consists of many opinions but very few facts. In our opinion, it is not worthy of being called evidence—and we cannot see where it contributes anything constructive to your investigation of the railway problem.

Up to this time no adequate picture of railway wages and related factors has been presented to this Committee. Both Professor McDougall and Mr. Peterson have indicated that the wages of railway employees constituted a burden on the industry and, therefore, were an important element to be considered in seeking a solution of the railway problem. But in attempting to support that conclusion only fragmentary evidence has been offered. On the one hand, Professor McDougall considered only extreme cases affecting a relatively small proportion of all railway employees, while Mr. Peterson simply based his conclusion on "belief" without any proof whatsoever.

We have made a careful analysis of wages as a cost factor in the production of railway transportation which in the last analysis is the fundamental issue involved here and while constituting a reply to Professor McDougall and Mr. Peterson, we feel that in presenting this study we can make a real contribution to the work of your Committee. Unlike Professor McDougall and Mr. Peterson, we have embraced the wages paid to *all* railway employees in our study and we are prepared to offer the necessary proof to support our contention that railway wages are not a burden on the industry and, therefore, do not constitute an obstacle to the solution of the railway problem. We will confine our reply for the most part to this proposition, inasmuch as Mr. Chase has already discussed the agreements governing the wages and working conditions of locomotive engineers which were subject to particular criticism by Professor McDougall.

While the public is perhaps familiar in a general way with the work performed by the railway employees with whom they may come in contact when using railway service, it has been our experience that very few people know or appreciate the intricate "machine" or "plant" which they must operate to provide railway transportation service and the high degree of skill, training, responsibility and experience required.

CHARACTERISTICS, DUTIES AND REQUIREMENTS OF RAILWAY EMPLOYMENT

We have in the railway industry of Canada, a huge plant consisting of 56,835 miles of road; 4,667 locomotives; 6,395 passenger cars; 172,773 freight cars and an investment in road and equipment of more than \$3,000,000,000.

The railway industry reaches into every province in Canada and as part of this essential public service, the industry likewise consists of approximately 130,000 trained and skilled workers who perform the highly specialized character of service essential to safe and economical operations.

All the foregoing elements of the railway industry combine to make a vast transportation machine as far-reaching as the nation itself, indispensable from an economic point of view in times of peace, and likewise indispensable in emergencies, disasters, and wars.

The railway industry operates 365 days in the year and 24 hours a day, rain or shine, fair weather or foul, on regular days, holidays and Sundays; in the middle of the night and in the middle of the day. In short, it is continuous and constant operation.

While vast and far-reaching in its scope, and tremendous in its size, the railway industry and railway employment are interlocking and interdependent in character, so much so, in fact, as to necessitate the perfect functioning equal to a delicately constructed watch. It does in fact function by the watch since minutes may mean the difference between safety and disaster.

Specialized skill and training, not obtainable in other industries or employment, and not usable in other employment, are essential to railway service. There is also a pronounced and continuous responsibility not found in outside employment and in addition to this, railway work stands near the top in hazardous occupations.

There is probably no other industry where the employees, in the public viewpoint, so fully represent the industry itself. For the overwhelming portion of the public, the railways *are* the employees and the minor officials, whom the public knows, and with whom the public deals and has direct contact. A courteous or a grouchy ticket agent, conductor, freight clerk, station agent, or trainman means a courteous or grouchy railway in the eyes of the public. The treatment received from these representatives of the railways to-day goes a long way in determining what form of transportation the public will choose to-morrow. This is a factor of growing importance, since there is no longer a monopoly of transportation by the railways as was once the case.

Notwithstanding any and all investments in road and equipment, the ultimate achievement of safety rests upon the co-ordinated function of the railway employees as a whole, who in the final analysis actually run the railways. Boards of Directors may assemble in solemn conferences, bankers may weigh seriously the financial wisdom of this and that investment, managers may issue many and far-reaching orders, factories may produce longer lasting and more durable materials and equipment, but in the final analysis, railway men operate the railways.

To begin with, track and bridge men build and maintain the tracks and bridges; shop men build, service and maintain the equipment; dispatchers and telegraphers transmit, transcribe and deliver train orders; trainmen and engine-men operate the trains; signalmen maintain the signals; station agents, ticket agents and freight clerks see that persons and property are correctly routed; clerical forces keep and maintain the records and accounts; and in short, railway workers do the actual railway work.

All this may properly be said and is said without detracting from the managerial or professional contributions of others, which contributions are, of course, essential to the far-reaching functions of the railways.

The safety and security of every passenger, as well as every dollar represented in freight and equipment, depend on the efficient co-ordination of effort put forth by railway employees as a whole.

We desire to emphasize here the interdependence of the industry in its entirety. Failure of shopmen properly to service the locomotives and cars, failure of dispatchers and telegraphers to transmit, transcribe and deliver orders, failure of trackmen properly to build and maintain the tracks and bridges in safe and suitable running order, failure of signalmen to keep block signal and electrical devices in proper working order, or failure of the train and engine service men to observe train orders, speed limits, time card provisions, block signals and other operating restrictions and regulations—in short, human failure on the part of any one of the various classes of railway workers may mean loss of life and property.

It is not enough that one class or group be capable of meeting its responsibilities. Railways are not, and cannot be run that way. It is not enough that some of the workers be efficient all the time, or that all the workers be efficient some of the time. The interdependence of functions, requirements and responsibilities, makes it absolutely necessary that each and every cog in the entire machine must work smoothly and in perfect co-ordination every minute and all the 365 days in the year.

As long as the human element constitutes such a major and important part of the railway transportation industry it will, therefore, be vitally essential to safe and efficient operation that a high and specialized degree of skill, character, intelligence, and responsibility to be possessed by these employees.

Railway workers cannot be subject to constant and continuous supervision under the immediate observance of railway officials. They must be able to think straight in emergencies, to stand on their own feet and reach sound and rational conclusions, and must be relied upon as trustworthy, dependable, clear-headed workers at all times.

If this description of railway work sounds like romance, let it be recalled that tragedy lurks in the background as the penalty for incompetence, inexperience, or indifference; and we venture to assert that no one will challenge the accuracy of this outline of duties, requirements and responsibilities, nor call it an exaggeration.

Here we have an industry operated on wheels, moving at ever increasing speed, closely interlocked and highly interdependent, kept in continuous operation under all conditions, serving the social and economic needs of 11 million of our citizens, the backbone of our industrial life in time of peace, absolutely

essential to our national defense in time of war, always dependent upon the efficiency of the employees, and always subject to the disastrous consequences of human failure.

Having regard for the character of work performed by railway employees and the skill, training, responsibility and experience which it requires, we turn now to a consideration of railway wages and related factors.

WAGES AS A COST FACTOR IN THE PRODUCTION OF RAILWAY TRANSPORTATION IN THE DOMINION OF CANADA

We have prepared a series of tables, which we desire to introduce at this time as an exhibit, showing that the average earnings of all railway employees in Canada are not high, but greater efficiency, productivity and economy have been realized and that wages as a factor in the operation of the railways in Canada have not been and are not now a burden.

The basic statistical data here used have been taken from *Statistics of Steam Railways of Canada* as published annually by the Transportation and Public Utilities Branch of the Dominion Bureau of Statistics. This annual report of statistics is compiled by the Bureau from returns made by the railways in Canada in accordance with provisions of the Railway Act, 1919, and the Statistics Act, 1918, certified by the responsible officers of the railway companies.

From time to time changes are made by the Bureau in the method or nature of the data published and comparisons made over a period of eighteen years may be subject to some error. It is not insisted that this compilation is entirely free from technical errors or defects of this kind, but an effort has been made to compile the basic figures as accurately as possible and to show the year-to-year trend in a reliable way. Such defects as may be discovered, however, in the use of these available statistics will not materially affect the trends shown nor lead to misrepresentation of the basic facts.

We hold that no criticism should be found justified in the consideration of this Exhibit which might arise out of the complaint that the Canadian National and Canadian Pacific Railways have not been used exclusively. The other railways, while representing a very insignificant portion of the railway mileage in Canada do, nevertheless, have their proportionate bearing upon the economic and social welfare of the Dominion.

In addition thereto it will be understood that several classes of employees hold agreements which might be termed of national scope in that they include other small lines in addition to the Canadian Pacific and Canadian National Railways.

These tables will be discussed under the following general headings:

1. Employees, Hours of Service and Compensation.
2. Increased Efficiency and Productivity of Railway Employees.
3. Distribution of Railway Revenues.

An effort will be made to discuss in some detail the facts developed by each table and to indicate the conclusions that appear to be just and reasonable.

EMPLOYEES' HOURS OF SERVICE AND COMPENSATION

Total Employees (Tables 1 and 2):

In 1920 there were 175,702 employees engaged in actual railway service in Canada. In the years immediately following there was a decrease, but in 1928, when the Canadian railways handled their greatest volume of business, the number of employees stood at 172,946 which was 1.6 per cent under the 1920 employment figure.

From 1928 to 1933, inclusive, employment on Canadian railways was on a steady downward trend, thousands of workers being thrown out of employment in each subsequent year until, in 1933, the number of employees had dropped to 110,864. As compared with 1920, this was a loss in employment of 64,838, or 36·9 per cent, and likewise a drop of 62,082, or 35·9 per cent, as compared to 1928.

In 1937 there were 121,541 employees engaged in actual railway service in Canada. This was an increase of 10,677, as compared to 1933, but a decrease of 54,161, or 30·8 per cent, under 1920 and a drop of 51,405, or 29·7 per cent, as compared to 1928. In other words, one out of every three employees in 1920 was unemployed in 1937.

Total Hours (Tables 1 and 2):

In 1920 the total hours worked by the foregoing employees amounted to 440,840,768; thereafter there was a decline in the total hours worked, followed by a subsequent increase in hours, with the result that in 1928, when Canadian railways handled their greatest volume of business, the total hours worked was substantially the same as that for 1920, being only one-tenth of one per cent below 1920.

Following 1928 there was a steady decline in the total hours worked until, in 1933, the total hours worked were 43·6 per cent below 1920 and likewise 43·5 per cent below 1928.

In 1937 there was an increase in hours, as compared to 1933, but in 1937 the total hours worked were approximately 35 per cent under both 1920 and 1928. It will be noted here that the decrease in the total hours worked was greater than was the decrease in the number of employees. As compared to the decrease of 31 per cent in the number of employees, there was a decrease of about 35 per cent in the total hours worked.

Total Compensation (Tables 1 and 2):

In 1920 the total compensation received by the foregoing Canadian railway workers amounted to \$280,353,910. By 1925 there was a decrease of 20 per cent in the total compensation received, but in 1928 the total compensation had again increased to slightly more than \$270,000,000. This was a drop of a little more than \$10,000,000, or 3·7 per cent as compared with 1920.

In 1937 the total compensation received by the Canadian railway employees amounted to \$179,110,674. This was a decrease of \$101,243,236, or 36·1 per cent, as compared with 1920 and a decrease of \$90,991,885, or 33·7 per cent, as compared with 1929.

Here again it is seen that the decline in total compensation was greater than the decline in the number of employees or in the total hours worked. As compared with a drop of about 31 per cent in the number of employees and about 35 per cent in the total hours worked, there was a decrease of approximately 36 per cent in the total compensation received by Canadian railway workers.

It is apparent that the employees have suffered severe losses in employment, and that the total wage bill of the railways has been consequently reduced.

In Table No. 1, the total number of employees engaged in actual railway operation is shown together with their total hours and total compensation. In that table three groups of employees are omitted, namely, those in the Radio Department, those in the Express Department, and those engaged in outside operations.

In order that the total number of employees, total hours and total compensation, including these three groups that were omitted from Table No. 1 might be shown, Table No. 2 is included to embrace the full figure.

The downward trend of employment, hours and compensation for the total employees, including the three groups here named, is found to be substantially the same as is the trend when the three groups are omitted.

In all of the tables to follow, where ratios, or comparisons, are made with the employees, their hours and compensation, the employees engaged in actual railway operation have been used and those in the Radio Department, Express Department and outside operations have been omitted, because the other factors used are for railway operations only and, therefore, do not include these other operations. Table No. 2 has been presented for comparative purposes only.

Average Monthly Earnings for 1937 (Tables 3 and 4):

A study of the average monthly earnings received by Canadian railway workers will immediately explode the fallacy of high railway wages in Canada. These official data will definitely establish the fact that the majority of the Canadian railway employees receive average monthly earnings substantially below that necessary for a proper, comfortable and healthful standard of living.

There were 6,670 Canadian railway employees, who in the year 1937, received average monthly earnings of less than \$60 per month. This group embraced chiefly Maintenance of Way labourers who engaged in hard manual labour, who are exposed to all types of weather conditions and who likewise are the victims of irregular and uncertain employment due to the seasonal character of the work performed by them.

There was a total of 12,229 employees representing 10·1 per cent of the entire group who received \$75 per month or less. In this group will be found Telephone Switchboard operators, Regular apprentices, Station Agents, non-telegraphers (small station) and others.

There were 34,369 employees, representing 28·3 per cent of the total who received less than \$85 per month. In this group, ranging between \$75 and \$85, were Sectionmen, Car Cleaners, Signalmen or Watchmen at crossings and others.

Almost two-thirds of the Canadian railway employees received average monthly earnings of less than \$125 in 1937. In other words, 76,235, or 62·7 per cent of the total, earned less than \$125. In this group will be found Carpenters and Bridgemen, Masons, Bricklayers, Plasterers and Painters, Section Foremen, Carmen and Stationary Engineers, Firemen and Oilers, and others.

More than four-fifths earned less than \$150 per month in 1937. Below this figure were 101,984 employees, or 83·9 per cent of the total. In this group will be found many skilled mechanics who must serve apprenticeship or engage in their work for years before being qualified or possessed of sufficient skill for the performance of the service required of them. This group includes Blacksmiths, Boilermakers, Electrical Workers, Machinists, Moulders, Pipe Fitters, Sheet Metal Workers, Road Freight Brakemen, Yard Brakemen, Yard Firemen, and others.

Only 16·1 per cent of the total employees earned more than \$150 per month. In the group with earnings ranging from \$150 to \$200 per month are Assistant Engineers and Draftsmen, Foremen—Linemen, Inspectors and Sergeants of Police, Supervisory Agents and Assistants, Yard Conductors and Engineers, Road Freight Firemen, and others.

Only 8·2 per cent of the total employees, including the officials, earned more than \$200 per month. Out of the total of 121,541 employees, there were 111,601, or 91·8 per cent of the total who fell below \$200 per month. Those earning from \$200 to \$250 per month embraced miscellaneous officials, Train Despatchers and Traffic Supervisors, Yardmasters, Road Passenger and Road Freight Conductors and Road Freight Engineers, and Road Passenger Firemen.

There were 2,448 whose earnings were over \$250 per month. Of this number 617 were Executives, General Officers and Assistants; 920 were Division Officers, 45 were General Foremen, and 866 were Road Passenger Engineers and Motormen who had devoted a major part of their working lives to the service prior to accumulating sufficient seniority to enable them to hold this limited number of preferred positions.

When it is found that only 2 per cent of those engaged in actual railway service, including the officials, earn in excess of \$250 per month, and that almost two-thirds of the railway employees earn less than \$125 per month and that 38.9 per cent earn less than \$100 per month and that 10.1 per cent earn less than \$75 per month and that 6.3 per cent earn less than \$60 per month, it will readily be observed that the impression held by many with respect to high railway wages is the result of a vivid imagination based upon inaccurate rumours, rather than upon reliable and official statistical facts.

INCREASED EFFICIENCY AND PRODUCTIVITY OF RAILWAY EMPLOYEES.

The following facts, all of which have been based upon official records published by the Dominion Bureau of Statistics lead to the incontrovertible conclusion that there has been a remarkable increase in the efficiency of Canadian railway operation and in the productivity of Canadian railway employees. Considering the steam railways of Canada as a whole, more revenue traffic is being handled per dollar of employees' compensation than ever before in Canadian railway history. The public is receiving the highest type of service ever offered. Train schedules are faster. Trains are longer. Freight shipments are quicker and more reliable than ever before. Never in railway history have people been able to travel with a greater degree of safety and comfort.

No one class, group or factor in Canadian railway operation can claim exclusive credit for this remarkable increase in efficiency and productivity. It has resulted from the application of money, management and labour. Railway investment, railway management and railway employees all have contributed to it. The difficulty of placing a set yard stick on any one of these three contributing elements is recognized. Any effort to distinguish specifically the contribution of any one group or factor would be exceedingly difficult, if not impossible. The interdependence of the various departments, the necessity for co-ordinated effort on the part of the different groups of railway officials and employees make it difficult, if not impossible, to measure the part played by the human element alone. A highly efficient engineer in the latest and most modern locomotive, directed by the most competent dispatcher and supervised by the most highly qualified superintendent can make only such speed as the condition of engine, cars, track and bridges will permit him to make in safety. Trainmasters, superintendents and general managers in determining the maximum speed, length or tonnage of a train must consider many things: the type of engine available, the condition of tracks, bridges and rolling stock, and the capacity of the employees to meet their responsibility and fulfill their duties, all combine to bring investment, management and labour into the picture.

The investment of millions of dollars in new rolling stock, equipment, labour-saving machines and devices results in improved efficiency and greater productivity, if the men engaged in the actual operation of steam railways prove themselves capable of using them to good advantage, and, on the other hand, prove economic losses if the men are unable to measure up to the new conditions, increased responsibility and greater requirements. Perhaps in no other industry are the various factors and duties so closely interwoven and so highly interdependent as in steam railway transportation. Canadian railway management and railway employees may well be proud of their achievements in the past decade or so, and both should be rewarded financially for their valuable contribution to the essential transportation necessities of the Dominion.

The growth and development of the steam railways in Canada and the efficiency of the operation has an important influence on the social and industrial life of the entire Dominion. Canada is a country of far-reaching dimensions, being near 4,000 miles in width from its eastern to its western borders. Considering its size, the population of approximately 11 million is relatively

small. In the east lies its industrial region and to the west lie the prairies with their vast agricultural areas. Such a country finds efficient transportation, produced at reasonable cost, to be an absolute necessity of life and a vital factor to its further industrial and agricultural development.

The efficiency with which the railway lines are operated and the productivity of the railway employees, both represent factors that substantially influence the general welfare. This being true, the facts developed in this study relative to railway employees' efficiency and productivity would appear to be of direct importance not only to railway workers and railway management, but likewise to the Canadian people as a whole.

Total Mileage of Track Operated and Number of Employees, Number of Hours Worked, and Total Compensation of Employees Per Mile of Track Operated (Table No. 5):

Table No. 5 presents the total mileage of all tracks operated for the years 1920 to 1937 and the ratio of the employees, their hours of work and their total compensation per mile.

In 1920 the total mileage of all tracks operated was 51,005. There were 3.44 employees per mile of track. For each mile the employees worked 8,643 hours. For each mile operated the employees received \$5,497 in compensation. In 1928, when the Canadian railways handled their greatest volume of business, the total mileage operated was 55,455 miles. This was an increase in mileage of 8.7 per cent over 1920. The employees per mile of track, however, had decreased 9.3 per cent. The hours worked per mile had decreased 8 per cent and the compensation per mile of track operated had declined by 11.4 per cent.

In 1937 the mileage had increased to 56,835, an increase of 11.4 per cent as compared with 1920. The number of employees, however, per mile of track, which stood at 3.44 in 1920, had dropped to 2.14 in 1937. This was a decrease in employees per mile of track of 37.8 per cent. The hours worked per mile of track dropped from 8,643 in 1920 to 5,076 in 1937, a decrease of 41.3 per cent. The total compensation per mile of track fell from \$5,497 in 1920 to \$3,151 in 1937, representing a decrease in total employee compensation per mile of track of 42.7 per cent.

Revenue and Non-Revenue Freight Ton Miles Per Employee, Per Hour of Service and Per Dollar of Compensation (Table No. 6):

The primary purpose or function of a railway is the movement of revenue freight and passengers. By far the greatest income derived from the operation of railways is that received from the movement of revenue freight. Perhaps one of the best factors for determining efficiency and productivity in railway operation will be found in the movement of revenue and non-revenue freight per employee, per hour of employees' service and per dollar of employees' compensation.

Statistical data for the combined revenue and non-revenue ton miles are not available for years prior to 1923. In this year, however, Canadian railways handled approximately 38½ billion revenue and non-revenue freight ton miles. For each employee in service the railways handled 231,654 ton miles. For each hour of employee service the railways handled 93.7 ton miles. For each dollar of employee compensation the railways handled 159.9 ton miles.

In 1928, when the railways handled their peak volume of business, revenue and non-revenue freight ton miles had increased 20.6 per cent over 1923. The ton miles per employee had increased 15.7 per cent. The increase per hour of service was 12.3 per cent and the increase per dollar of employees' compensation was 7.4 per cent. In 1937 revenue and non-revenue freight ton miles were

21.7 per cent less than in 1923. There was an increase in ton miles per employee, however, of 6.9 per cent. There was an increase in ton miles per hour of employees' service in 1937 of 11.3 per cent and an increase per dollar of employees' compensation of 5.1 per cent.

Notwithstanding the drop of 21.7 per cent in ton miles in the year 1937, there was an increase in ton miles per dollar of employee compensation of 5.1 per cent.

*Revenue Freight Ton Miles Per Employee,
Per Hour of Service and Per Dollar of
Compensation (Table No. 7):*

The preceding table dealt with both revenue and non-revenue ton miles. Table No. 7 eliminates the ton miles for which no revenue was received and presents a comparison of the revenue freight ton miles with the employees, their hours of service and their total compensation commencing with the year 1920. In that year, Canadian railways handled a little less than 32 billion revenue freight ton miles. For each employee in service the railways handled 181,525 revenue freight ton miles. For each hour of employees' service there were 72.3 revenue ton miles and for each dollar of employees' compensation 113.8 revenue ton miles. In 1928, the revenue freight ton miles handled were 30.5 per cent greater than in 1920. The increase per employee in 1928 was 32.5 per cent greater, the increase per hour of employees' service was 30.6 per cent greater and the increase per dollar of employees' compensation was 35.4 per cent greater.

In 1937, revenue freight ton miles were 15.6 per cent under those of 1920. The revenue ton miles per employee in 1937 were, however, 22.0 per cent greater than in 1920. The increase in revenue ton miles per hour of employees' service in 1937 was 29.0 per cent over 1920, and the revenue ton miles per dollar of employees' compensation was 32.1 per cent greater than in 1920. It is seen here that for each dollar invested by the railways in employee compensation the railways are now receiving 32.1 per cent more in revenue service from their employees.

*Total Operating Revenue for Rail Line
Only Per Employee Per Hour of Service
and Per Dollar of Compensation (Table No. 8):*

In 1920 the total operating revenue of Canadian railways was slightly under \$475,000,000. This represented an operating revenue per employee of \$2,703. The revenue per hour of employees' service was \$1.08 and per dollar of employees' compensation \$1.69. In 1928 total operating revenues reached their peak, being a little under \$541,000,000, an increase of 13.9 per cent over 1920. In 1928, the revenue per employee was \$3,127, or 15.7 per cent greater than that of 1920. The revenue per hour of employees' service had increased to \$1.23, an increase over 1920 of 13.9 per cent. The revenue per dollar of employees' compensation had increased to \$2, which was an increase of 18.3 per cent over 1920. In 1937 total operating revenues had dropped to \$337,872,263. This was a decrease of 28.9 per cent as compared with 1920 and a decrease of 37.5 per cent as compared with 1928. It will be noted, however, that the total operating revenue per employee increased to \$2,780 or 2.8 per cent over 1920.

Notwithstanding the decrease in total operating revenues in 1937 as compared with 1920, there was an increase in such revenues per hour of employees' service during this period. In 1920 the total operating revenue per hour of service was \$1.08 and in 1937, \$1.17, an increase of 8.3 per cent over 1920.

The total operating revenue per dollar of employees' compensation was greater in 1937 than in 1920, having increased from an operating revenue of \$1.69 per dollar of employees' compensation in 1920 to \$1.89 in 1937. The increase in 1937 over 1920 was 11.8 per cent.

It is seen here that, notwithstanding the decline in total operating revenues, the railways in 1937 received a higher investment on their money put into employees' compensation in 1937 than in 1920. Their investment of this nature in 1937 was worth 11·8 per cent more to the railways than was the same investment in 1920.

Total Operating Revenue Per Employee, Per Hour of Service, and Per Dollar of Compensation on Canadian Railways for Specified Years (Table No. 9):

In the table immediately preceding, we have seen the ratio of the employees in actual railway service, their hours and their total compensation to the total operating revenue for *rail lines*. In order that these same ratios, or comparisons, may be made with total operating revenues *from all sources*, Table No. 9 is presented.

The total revenues from all sources per employee, per hour of service and per dollar of compensation follow very substantially the same trend as is found in the comparison with operating revenues from rail line service, there being only a small fraction of one per cent difference in each instance. For this reason no detailed analysis is deemed necessary.

Net Operating Revenues Per Employee, Per Hour of Service, And Per Dollar of Compensation (Table No. 10):

The net operating revenues of Canadian railways, that is to say, the total operating revenues less the total operating expenses, were slightly under 14 million dollars in 1920, increasing thereafter to a high peak of slightly more than 121 million dollars in 1928 and declining thereafter to a little less than 37 million dollars in 1932. Since 1932 net operating revenues have increased, and stood at \$54,450,723 in 1937.

For each employee in 1920 the Canadian railways had a net operating revenue of \$78.80. For each employee in service in 1937 they had a net operating revenue of \$448, which was an increase in net operating revenue per employee as compared with 1920 of 468·5 per cent. In 1937 the net operating revenue per hour of employees' service was 509·7 per cent greater than that of 1920 and the net operating revenue per dollar of employees' compensation increased during this same period by 520·4 per cent.

Revenue Freight Ton Miles Per Dollar of

Total Operating Expense (Table No. 11):

Total operating expenses in 1920 amounted to a little over \$478,000,000. When the peak volume of business was handled in 1928 it would naturally be expected that operating expenses would increase. This, however, was not the case and operating expenses during the peak business of 1928 were \$35,546,884, or 7·4 per cent under those of 1920. In 1937 operating expenses had declined to approximately \$300,000,000, being 37·1 per cent less than in 1920.

For each dollar of operating expense in 1920 the Canadian railways handled 66·7 revenue freight ton miles. In 1928 the revenue freight ton miles per dollar of operating expense had increased to 94·0 an increase of 40·9 per cent over 1920. In 1937, and notwithstanding the decline in revenue freight ton miles, it is found that the revenue freight ton miles per dollar of operating expense were 34·3 per cent greater than in 1920. The efficiency of railway operation and the productivity of railway employees are both clearly reflected in these official statistical facts.

Even though credit for the increased productivity, efficiency and economy which has been realized in the railway industry during the past few decades is difficult to assign to any one factor in production, the fact remains that this increase in productivity, efficiency and economy does place the railway manage-

ments in a better position to pay wages. In other words, the *capacity* of the railway industry to increase wages has been materially increased by virtue of the increased efficiency. It has been shown, however, that the wage bill of the railways has been declining, and that the average earnings of railway employees at the present time are low—too low for the efficient service they are producing, and, therefore, in the light of this increased efficiency, do not present any problem with regard to railway costs and expenses.

DISTRIBUTION OF RAILWAY REVENUES

An analysis of the proportion of railway revenues going to railway labour also shows that Labour cost as a factor in the production of transportation service has not been and is not now a burden on the industry. In fact, the proportion which has gone to other factors in production—stock and bond holders for example—would suggest that relief for the railways should be sought elsewhere.

Earnings of Railway Stockholders and Employees (Table No. 12):

In 1920 Canadian railway dividend payments amounted to \$29,942,557. In that year the cash dividend rate was 8·28. Incidentally, the net operating revenues for that year amounted to only about \$14,000,000. The total employee compensation was \$280,353,910. By 1922 dividend payments increased ·7 per cent and total employee compensation decreased 20·1 per cent. The cash dividend rate remained, however, at the high figure of 8·27. In 1928 dividend payments were \$33,729,273, or 12·6 per cent greater than in 1920, but total employee compensation was \$270,102,559, or 3·7 per cent less. The cash dividend rate still stood at 8·15 per cent, which was within 1·6 per cent of the high 1920 rate. For 1930, after more than a year of depression, dividend payments soared to \$38,890,927, this new high peak of dividend payments being 29·9 per cent higher than in 1920. Total employee compensation in 1930 had decreased, however, by \$31,187,661, or 11·1 per cent. The cash dividend rate for this depression year still stood at 8·02, or within 3·1 per cent of the high 1920 dividend rate. In 1931 dividend payments decreased 9 per cent as compared with 1920, but employees' total compensation was reduced approximately one-fourth, or 24·5 per cent. Following this two years of depression the cash dividend rate still stood at 5·65.

Here again we see reflected the disproportionate use of the railways' operating income in 1930 when employees had already suffered substantial losses and when it was generally recognized that a serious depression was being faced by Canada along with the United States and the rest of the industrial nations of the world. Dividend payments were made in an amount that established a new all-time peak record for Canadian railways. Had the dividend rates followed the same trend that total employee compensation took during the years subsequent to 1920, it is seen here that the railways would have been in much better position to meet their problems during the past few years.

Interest on Funded and Unfunded Debt and Compensation of Employees (Table No. 13):

In 1920 interest on funded and unfunded debt amounted to \$59,270,289. As previously stated, employees' total compensation in that year stood at \$280,353,910. In 1921 interest on funded and unfunded debt went up to 26·1 per cent and employee compensation went down 15·4 per cent. In 1922 interest went up 32·2 per cent as compared with 1920 and employee compensation went down 20·1 per cent as compared with 1920.

In 1928, the year of peak business, interest was 62·5 per cent greater than in 1920, while employee compensation was 3·7 per cent less than in 1920. During the depression year of 1930 interest reached a new high level, being \$108,-

936,797, or 83·8 per cent above 1920, while employee compensation had dropped 11·1 per cent. In 1931, after two years of depression, interest reached another new high level, being 90·2 per cent greater than in 1920, while employee compensation was 24·5 per cent less. In 1932, interest reached another new high peak, being 98·6 per cent greater than in 1920, while employee compensation had dropped 40·6 per cent.

In 1933 still another new peak was set for interest payments, when they were 100·5 per cent greater than in 1920, while employee compensation still continued downward, being 48·1 per cent under 1920. Notwithstanding the fact that the interest on the debt of the Canadian National Railways was substantially reduced by the Canadian National Railways Capital Revision Act, 1937, in that year the total interest on the debt of all Canadian railways was \$77,819,294, or 31·3 per cent greater than in 1920, while the compensation of employees declined 36·1 per cent in that period.

In these figures we see the paradoxical or contrasting situation wherein the wages of the bond holders practically doubled in depression years, when the compensation of the employees who engage in the actual operation of the railways was reduced almost one-half.

The earlier tables clearly reflected the increased efficiency and the greater productivity of railway operation, to which the employees made a valuable and highly essential contribution. This table and Table No. 12 show in large measure where the profits went that were derived from this greater efficiency and productivity. The stock holders and the bond holders received more, while the employees who actually produced this greater efficiency and productivity received less.

Portion of Total Operating Revenues Required to Pay Total Employees' Compensation. (Table 14):

The total operating revenues of Canadian railways in 1920 amounted to a little more than 492 million dollars. In that year total employee compensation amounted to \$280,353,910. It, therefore, required 57 per cent of the total operating revenues to pay the total employees' compensation. In other words, out of each dollar of total operating revenue, 57 cents was required for employee compensation. This compensation, of course, embraced the officials, as well as those commonly referred to as employees.

It should be borne in mind that the railways are essentially a service industry—that is, "service" is the only thing which the railways have to sell—and consequently the principle item of expense must necessarily be for the labour which produces that service.

In 1937, total operating revenues declined to approximately 355 million dollars, a decrease of 27·8 per cent as compared with 1920. Total employee compensation decreased to a little over 179 million dollars, representing a decline of 36·1 per cent.

In other words, the decrease in total employee compensation was greater than was the decrease in the total operating revenues. As a result of this, the percentage of revenues required to pay employee compensation was less in 1937 than in 1920. Instead of using 57 cents out of each dollar of total operating revenue to pay employee compensation, as was done in 1920, only 50·4 cents out of each dollar was required in 1937. Notwithstanding the decrease in the total operating revenues, the percentage of such revenues required to pay employees' compensation was 11·6 per cent less in 1937 than in 1920.

It is apparent from Table No. 14 that labour cost as a factor in the production of transportation service cannot be said to be a burden on the industry in view of the declining proportion of the revenues which it consumes.

Portion of Operating Revenues from Rail Line Required to pay Employees' Compensation (Table No. 15):

In this table, total operating revenues from rail lines are compared with the total compensation received by employees engaged in railway operation. This table differs from Table No. 14 in that the figures contained in Table No. 14 embrace total operating revenues from all sources, whereas this table deals only with revenues from rail line operation.

In 1920 the operating revenues from rail line operation were slightly under 475 million dollars. The compensation received by the employees was a little more than 280 million dollars. Therefore, out of each dollar of rail line operating revenues 59 cents was required to pay the compensation of the employees.

In 1937 this compensation had decreased in greater measure than had the rail line operating revenues, with the result that only 53 cents out of each rail line operating revenue dollar was required for employee compensation. The percentage of rail line operating revenues required to pay the employees' compensation was, therefore, 10.2 per cent less in 1937 than in 1920.

Percentage of Total Operating Revenues Required to Pay Interest (Table No. 16):

In the tables immediately preceding we have shown that the percentage of total operating revenues required to pay total employee compensation in 1937 was 11.6 per cent less than that required in 1920, and that the percentage of rail line operating revenues required to pay the compensation of employees engaged in railway service decreased 10.2 per cent.

No such unhappy circumstances were experienced, however, by those receiving the interest paid on funded and unfunded debt. This interest, or the wages of the bond-holders, increased during the same period by 31.3 per cent. In other words, while the total employee compensation fell 33.4 per cent, the interest on funded and unfunded debt rose 31.3 per cent.

In 1920, out of each dollar operating revenue 12 cents was used to pay interest on funded and unfunded debt. In 1937 out of each dollar of total operating revenues 21.9 cents was required for such interest payments. The result was that the percentage of operating revenues required to pay interest in 1937 was 82.5 per cent greater than that of 1920.

Percentage of Operating Revenue from Rail Line required for Interest (Table No. 17):

Table No. 17 presents in vivid fashion the disproportionate burden of the railway debt and interest charges to railway revenue.

Canadian railways, of course, receive some revenues from outside operations and from sources of income other than the gross earnings from operation. These outside, or other, sources of income, however, are relatively small as compared with gross earnings from operation and represent but a small part of the railways' total earnings. It does not necessarily follow that the money required for interest payments is all taken from that received by the railways in gross earnings from actual railway operation, but the major portion of the interest payments is taken from this source, since it is the source of the overwhelming portion of railway income.

In 1920, total operating revenue amounted to a little less than 475 million dollars; interest on funded and unfunded debt amounted to a little over 59 million dollars. The percentage of the total operating revenue required to pay interest on funded and unfunded debt (and assuming that the debt payments were taken entirely from operating revenues) amounted to 12.5 per cent. Thereafter the percentage of operating revenues required to pay interest showed a steady and almost consistent increase. In 1928, total operating revenue reached a high peak of slightly less than 541 million dollars, an increase of 13.9 per cent over 1920. Interest charges increased more rapidly and were 62.5 per cent greater than in 1920.

As a result of this disproportionate increase in interest, the percentage of operating revenues required for interest payments was 17·8 per cent. In other words, disregarding the other smaller sources of income, out of each \$100 in total operating revenues in 1920, \$12.50 was required for interest payments and in 1928, \$17.80 was required for interest.

From 1928 to 1933 there was a marked decline in total operating revenues with a rapid increase in interest on funded and unfunded debt. The result was that in 1933, \$44 out of each \$100 of operating revenues was required for interest payments. The 1933 percentage of operating revenues required to meet interest was 252 per cent greater than that required in 1920.

After 1933, operating revenues increased so that by 1937 they were only 28·9 per cent below what they were in 1920. Interest on funded and unfunded debt, however, continued to increase through 1934, after which it declined slightly in 1935 and 1936. In 1937, it was reduced materially as a result of the Canadian National Railways Capital Revision Act, 1937. Nevertheless, in that year 23 per cent of the total operating revenue was still required to meet interest which was an increase of 84 per cent over 1920.

Ratio of Interest Payments to Employee Compensation (Table No. 18):

As indicated more than once in the analysis of the foregoing tables, employee compensation in 1937 was 36·1 per cent less than in 1920.

It has also been shown that in 1937 interest on funded and unfunded debt was 31·3 per cent more than it was in 1920, notwithstanding the adjustments resulting from the Canadian National Railways Capital Revision Act, 1937. We see in these two facts that while the amount required for employee compensation in 1937 was approximately one-third less than was required in 1920, the amount required to meet interest payments was practically one-third more than in 1920.

In 1920 the employees received \$4.73 in compensation for each dollar paid in interest on funded and unfunded debt. The ratio of employee compensation to interest was almost 5 to 1. In 1937 the employees received \$2.30 in compensation for each dollar paid out in interest on debt. The ratio of employee compensation to interest payments had dropped from almost 5 to 1 in 1920 to one and one-half in 1936. Because of the adjustments made under the Canadian National Railways Capital Revision Act, 1937, this ratio increased to a little over two to one.

This last table, as well as the five previous tables, show that the wages have not been a burden on the railway industry. The total wage bill has declined substantially, as well as the relative proportion of revenues required to pay wages.

The relative burden of interest payments, however, has been increasing and possibly suggests at least one avenue of inquiry looking to the solution of the railway problem.

SUMMARY AND CONCLUSIONS

The railway industry consists of a large and far-reaching plant requiring clock-work precision and an unusually high degree of training, skill responsibility and experience on the part of the employees to operate. It is an industry which has only service to sell, and from the standpoint of the public which uses the railways, the employees are the railways. On them depends their safe and efficient operation.

The wages of railway employees which have been subject to criticism are not a burden on the industry, and in fact increasing efficiency has made it possible to produce better transportation at lower cost, particularly lower labour cost, per unit of service, to which the railway employees have contributed no small share.

We may conclude, therefore, that the criticism of railway wages and working conditions is wholly unjustified, and that these factors do not present any difficulty to your consideration of the railway problem. In fact, the operation of the railways as a whole is conducted efficiently and cannot be criticized. Declining traffic and revenues due to competition, and the drain on revenues from other sources, principally the capital structure, appear to suggest more fruitful fields of inquiry for a solution of the railway problem.

While the purpose of this statement is primarily to reply to the unwarranted attacks which have been made upon the railway employees of Canada before this Committee, we ask that it also be accepted as supplementing and supporting the recommendations which we have previously submitted to your Committee.

Respectfully submitted,

A. J. KELLY,
Chairman.

R. J. TALLON,
Vice-Chairman

WM. L. BEST,
Secretary.

ORGANIZATIONS REPRESENTED BY CO-OPERATIVE LEGISLATIVE
COMMITTEE, NAMES OF MEMBERS AND OFFICERS OF
SAID COMMITTEE

Brotherhood of Locomotive Engineers	H. B. Chase, Assistant Grand Chief.
Brotherhood of Locomotive Firemen and Enginemen	Wm. L. Best, Vice-President.
Order of Railway Conductors	Thos. Todd, Vice-President.
Brotherhood of Railroad Trainmen	A. J. Kelly, Dominion Legislative Repre- sentative.
Order of Railroad Telegraphers	W. H. Phillips, Vice-President.
Brotherhood of Maintenance of Way Em- ployees	W. V. Turnbull, Vice-President.
Division No. 4, Shop Trades	R. J. Tallon, President.
Brotherhood of Railway and Steamship Clerks, Freight Handlers, Express and Station Em- ployees	F. H. Hall, Vice-President.
International Association of Machinists	Jas. Somerville, Vice-President.
Brotherhood Railway Carmen of America ..	L. A. Beaudry and/or Robert. Hewitt, Vice-President.
Brotherhood of Boilermakers, Iron Shipbuild- ers and Helpers of America	W. J. Coyle, Vice-President and/or J. Thompson, Grand Lodge Representa- tive.
Brotherhood of Electrical Workers	E. Ingles, Vice-President.
United Association of Plumbers and Steam- fitters	W. J. Bruce, Grand Lodge Representative.
Association of Sheet Metal Workers	A. Crawford, Grand Lodge Representative.
Brotherhood of Firemen, Oilers and Shop Labourers	Jas. C. Gascoyne, Vice-President.
Signalmen of America	D. Guigue, Grand Lodge Representative.
Commercial Telegraphers Union	G. R. Pawson, Grand Lodge Representa- tive.

A. J. KELLY,
Chairman.

R. J. TALLON,
Vice-Chairman.

WM. L. BEST,
Secretary.

CANADIAN RAILWAYS
1920 - 1937

STATISTICAL ANALYSIS OF

1. Employees' Hours of Service and Compensation.
2. Increased Efficiency and Productivity of Railway Employees.
3. Distribution of Railway Revenues.

Compiled from Information Contained in Annual Reports of STATISTICS OF
STEAM RAILWAYS OF CANADA, Published by the Transportation and
Utilities Branch of the Department of Trade and Commerce, Dominion Bureau
of Statistics.

TABLE NUMBER	SUBJECT
1	Total Number of Employees, Total Hours Worked, Total Compensation Received (Excluding "Express Department," "Radio Department" and Employees Engaged in Outside Operations").
2	Total Number of Employees, Total Hours Worked, Total Compensation Received.
3	Average Monthly Earnings of Employees for Year 1937, Arranged in Specified Groups.
4	Recapitulation of Employees in Occupations Averaging Less Than Specified Monthly Amounts For The Year 1937.

- 5 Total Mileage of Track Operated and Number of Employees, Number of Hours Worked, and Total Compensation of Employees per Mile of Track Operated.
- 6 Revenue and Non-Revenue Freight Ton-Miles per Employee, per Hour of Service and per Dollar of Compensation.
- 7 Revenue Freight Ton-Miles per Employee, per Hour of Service and per Dollar of Compensation.
- 8 Total Operating Revenue for Rail Line Only per Employee, per Hour of Service and per Dollar of Compensation.
- 9 Total Operating Revenue per Employee, per Hour of Service and per Dollar of Compensation.
- 10 Net Operating Revenues per Employee, per Hour of Service and per Dollar of Compensation.
- 11 Revenue Freight Ton-Miles per Dollar of Total Operating Expense.
- 12 Earnings of Railway Stockholders and Employees.
- 13 Interest on Funded and Unfunded Debt and Compensation of Employees.
- 14 Portion of Total Operating Revenues Required to Pay Total Employees' Compensation.
- 15 Portion of Operating Revenues from Rail Line Required to Pay Employees' Compensation.
- 16 Percentage of Total Operating Revenue Required to Pay Interest.
- 17 Percentage of Operating Revenue from Rail Line used to Pay Interest.
- 18 Ratio of Interest Payments to Employee Compensation.

TABLE No. 1

TOTAL NUMBER OF EMPLOYEES, TOTAL HOURS WORKED, TOTAL COMPENSATION RECEIVED ON CANADIAN RAILWAYS FOR SPECIFIED YEARS

Year	Employees*		Total Hours*		Total Compensation*	
	Number	Index No. 1920=100	Number	Index No. 1920=100	Amount	Index No. 1920=100
		%		%	\$	%
1920.....	175,702	100.0	440,840,768	100.0	280,353,910	100.0
1921.....	157,285	89.5	367,956,281	83.5	237,287,547	84.6
1922.....	156,001	88.7	377,270,311	85.6	223,998,597	79.9
1923.....	165,975	94.5	410,371,170	93.1	240,395,813	85.7
1924.....	159,126	90.6	386,572,976	87.7	227,346,868	81.1
1925.....	154,038	87.7	380,256,982	86.3	224,380,563	80.0
1926.....	162,423	92.4	408,171,210	92.6	240,162,249	85.7
1927.....	164,672	93.7	418,558,404	94.9	253,805,373	90.5
1928.....	172,946	98.4	440,792,781	99.9	270,102,559	96.3
1929.....	171,316	97.5	434,858,069	98.6	270,495,594	96.5
1930.....	158,509	90.2	389,733,711	88.4	249,166,249	88.9
1931.....	139,974	79.7	326,177,006	74.0	211,739,598	75.5
1932.....	120,026	68.3	271,634,228	61.6	166,528,418	59.4
1933.....	110,864	63.1	248,421,274	56.4	145,639,649	51.9
1934.....	116,076	66.1	265,651,977	60.3	150,808,396	53.8
1935.....	116,269	66.2	267,818,431	60.8	160,004,927	57.1
1936.....	121,447	69.1	283,812,062	64.4	169,415,709	60.4
1937.....	121,541	69.2	288,496,147	65.4	179,110,674	63.9

Source: STATISTICS OF STEAM RAILWAYS OF CANADA for years 1920-1937, incl. ("Employees and Salaries and Wages").

*Figures covering employees, total hours and total compensation represent grand totals, excluding Express Department, Radio Department and Employees Engaged in Outside Operations.

TABLE No. 2

TOTAL NUMBER OF EMPLOYEES, TOTAL HOURS WORKED, TOTAL COMPENSATION RECEIVED ON CANADIAN RAILWAYS FOR SPECIFIED YEARS

Year	Employees		Total Hours		Total Compensation	
	Number	Index No. 1920=100	Number	Index No. 1920=100	Amount	Index No. 1920=100
					\$	
1920.....	185,177	100.0	465,466,482	100.0	290,510,518	100.0
1921.....	167,627	90.5	394,778,197	84.8	247,756,138	85.3
1922.....	165,635	89.4	401,995,411	86.4	233,294,040	80.3
1923.....	178,052	96.2	442,051,515	95.0	253,320,005	87.2
1924.....	169,970	91.8	415,773,205	89.3	239,864,265	82.6
1925.....	166,027	89.7	411,209,522	88.3	237,755,752	81.8
1926.....	174,266	94.1	437,927,249	94.1	253,412,424	87.2
1927.....	176,338	95.2	449,887,049	96.7	267,067,048	91.9
1928.....	187,710	101.4	482,685,474	103.7	287,775,316	99.1
1929.....	187,846	101.4	478,743,301	102.9	290,732,501	100.1
1930.....	174,485	94.2	431,629,401	92.7	268,347,374	92.4
1931.....	154,569	83.5	364,211,642	78.2	229,499,505	79.0
1932.....	132,678	71.6	303,443,246	65.2	181,113,588	62.3
1933.....	121,923	65.8	276,312,787	59.4	158,326,445	54.5
1934.....	127,326	68.8	293,563,103	63.1	163,336,635	56.2
1935.....	127,526	68.9	296,744,680	63.8	172,956,218	59.5
1936.....	132,781	71.7	313,291,604	67.3	182,638,365	62.9
1937.....	133,467	72.1	319,191,097	68.6	193,355,584	66.6

Source: STATISTICS OF STEAM RAILWAYS OF CANADA for 1920-1937, incl. ("Employees and Salaries and Wages").

Figures covering employees, total hours and total compensation represent Grand Totals.

AVERAGE MONTHLY EARNINGS OF EMPLOYEES ON CANADIAN RAILWAYS
FOR YEAR 1937, ARRANGED IN SPECIFIED GROUPS

Reporting Division	Average number of employees	Average monthly earnings	Total number
<i>Less than \$60 per month—</i>			
8 Janitors and Cleaners.....	1,119	\$58	
21 Labourers.....	5,379	59	
58 News Agents.....	172	56	
Number of employees earning less than \$60 per month.....			6,670
<i>Between \$60 and \$65—</i>			
7 Office boys, messengers, attendants and miscellaneous trades workers.....	962	\$62	
Number of employees earning between \$60 and \$65 per month.....			962
<i>Between \$66 and \$75—</i>			
6 Telephone switchboard operators.....	243	\$73	
39 Regular apprentices.....	1,251	72	
42 Unclassified labourers.....	2,457	71	
50 Station agents, non-telegraphers (small station).....	163	70	
55 Labourers.....	483	74	
Number of employees earnings between \$66 and \$75 per month.....			4,597
<i>Between \$76 and \$85—</i>			
20 Sectionmen.....	15,343	\$81	
38 Helper apprentices.....	12	83	
40 Car cleaners.....	1,319	77	
41 Other unskilled employees.....	2,842	81	
57 Dining car and restaurant helpers and attendants.....	1,158	78	
61 Sleeping and parlour car porters.....	858	84	
63 Signalmen or watchmen at crossings (non-interlocked).....	608	81	
Number of employees earning between \$76 and \$85 per month.....			22,140
<i>Between \$86 and \$100—</i>			
13 Helpers, Bridge and Building Department.....	184	\$93	
16 Pumpmen.....	388	97	
37 Helpers to mechanics.....	6,259	94	
47 Storemen.....	1,527	86	
54 Freight handlers and other station employees.....	4,021	89	
59 Floating equipment employees.....	527	100	
Number of employees earning between \$86 and \$100 per month.....			12,906
<i>Between \$101 and \$110:—</i>			
23 Telegraph and telephone linemen and groundmen.....	136	\$107	
Number of employees earning between \$101 and \$110 per month.....			136
<i>Between \$111 and \$125—</i>			
5 Clerks.....	13,741	\$119	
10 Carpenters and bridgemen.....	1,906	115	
12 Masons, bricklayers, plasterers and painters.....	272	116	
19 Section foremen.....	5,746	119	
31 Carmen (c).....	5,444	119	
32 Carmen (d).....	232	115	
43 Stationary engineers, firemen and oilers.....	795	113	
52 Signalmen (non-telegraphers) at interlockers.....	270	113	
62 Drawbridge operators.....	88	115	
65 Switch tenders.....	330	120	
Number of employees earning between \$111 and \$125 per month.....			28,824
<i>Between \$126 and \$150—</i>			
9 Bridge and building department foremen.....	385	\$141	
11 Blacksmiths, pipe fitters, plumbers, tinsmiths and pump repairers.....	250	143	
15 Pile driver, ditching, hoist and steam shovel employees.....	251	139	
24 Signal and interlocker maintainers and repairmen.....	447	138	
27 Blacksmiths.....	595	126	
28 Boilermakers.....	1,159	129	
29 Carmen (a).....	2,322	129	
30 Carmen (b).....	496	129	
33 Electrical workers.....	790	131	
34 Machinists.....	3,798	128	
35 Moulders.....	93	126	
36 Pipe fitters and sheet metal workers.....	1,065	128	
45 Constables and policemen.....	586	134	

TABLE No. 3

AVERAGE MONTHLY EARNINGS OF EMPLOYEES ON CANADIAN RAILWAYS
FOR YEAR 1937, ARRANGED IN SPECIFIED GROUPS—*Concluded*

Reporting Division	Average number of employees	Average monthly earnings	Total number
<i>Between \$126 and \$150—Continued</i>			
51 Station agents—Telegraphers and telephoners.....	5,045	\$145	
53 Foremen in freight sheds.....	380	132	
56 Dining car and restaurant inspectors, conductors and stewards.....	231	143	
60 Sleeping and parlour car inspectors and conductors.....	156	148	
66 Hostlers.....	388	139	
70 Road Freight brakemen and flagmen.....	3,926	150	
72 Yard brakemen and helpers.....	2,330	145	
78 Yard firemen and helpers.....	1,047	142	
Number of employees earning between \$126 and \$150 per month.....			25,749
<i>Between \$151 and \$200—</i>			
3 Assistant engineers and draftsmen.....	510	\$172	
17 Extra gang and snow plough foremen.....	188	170	
18 Signal foremen.....	21	198	
22 Foremen-Linemen.....	67	166	
26 Department and gang foremen.....	2,081	191	
44 Inspectors and sergeants of police.....	131	176	
46 Storekeepers.....	140	161	
49 Supervisory agents and assistants.....	568	173	
69 Road passenger brakemen, baggagemen and flagmen.....	1,539	157	
71 Yard conductors and yard foremen.....	1,035	174	
75 Yard engineers and motormen.....	972	197	
77 Road freight firemen and helpers.....	2,365	165	
Number of employees earning between \$151 and \$200 per month.....			9,617
<i>Between \$201 and \$250—</i>			
4 Other miscellaneous officials.....	1,359	\$210	
48 Train dispatchers and traffic supervisors.....	435	248	
64 Yardmasters and assistants.....	303	240	
67 Road passenger conductors.....	682	223	
68 Road freight conductors.....	1,703	217	
74 Road freight engineers and motormen.....	2,172	237	
76 Road passenger firemen and helpers.....	838	202	
Number of employees earning between \$201 and \$250 per month.....			7,492
<i>Over \$250—</i>			
1 Executives, general officers and assistants.....	617	\$514	
2 Division officers.....	920	280	
25 General foremen.....	45	255	
73 Road passenger engineers and motormen.....	866	267	
Number of employees earning over \$250 per month.....			2,448
Total number of employees.....			121,541

Source: STATISTICS OF STEAM RAILWAYS OF CANADA, 1937 ("Employees and Salaries and Wages").

NOTE:—Above figures represent all classes, excluding "Express Department", "Radio Department" and "Employees engaged in Outside Operations".

TABLE No. 4

RECAPITULATION OF EMPLOYEES IN OCCUPATIONS AVERAGING LESS THAN
SPECIFIED MONTHLY AMOUNTS ON CANADIAN RAILWAYS FOR THE YEAR 1937

Groups.	Number of Employees	Per Cent of Total	Accumulate	
			Number of Employees	Per Cent of Total
Employees earning less than \$60 per month.....	6,670	5.5		
Employees earning between \$60 and \$65 per month.....	962	0.8	7,632	6.3
Employees earning between \$66 and \$75 per month....	4,597	3.8	12,229	10.1
Employees earning between \$76 and \$85 per month....	22,140	18.2	34,369	28.3
Employees earning between \$86 and \$100 per month...	12,906	10.6	47,275	38.9
Employees earning between \$101 and \$110 per month...	136	0.1	47,411	39.0
Employees earning between \$111 and \$125 per month...	28,824	23.7	76,235	62.7
Employees earning between \$126 and \$150 per month...	25,749	21.2	101,984	83.9
Employees earning between \$151 and \$200 per month...	9,617	7.9	111,601	91.8
Employees earning between \$201 and \$250 per month...	7,492	6.2	119,093	98.0
Employees earning over \$250 per month.....	2,448	2.0	121,541	100.0
Total.....	121,541	100.0		

Source: STATISTICS OF STEAM RAILWAYS OF CANADA, 1937. ("Employees and Salaries and Wages.")

NOTE: Figures represent all classes, excluding "Express Department," "Radio Department" and "Employees Engaged in Outside Operations."

TABLE No. 5

TOTAL MILEAGE OF TRACK OPERATED BY CANADIAN RAILWAYS AND NUMBER OF EMPLOYEES, NUMBER OF HOURS WORKED, AND TOTAL COMPENSATION OF EMPLOYEES PER MILE OF TRACK OPERATED FOR SPECIFIED YEARS

Year	Total Mileage All Tracks Operated		Employees per Mile of Track Operated*		Hours Worked Per Mile of Track Operated*		Total Compensation Per Mile of Track Operated*	
	Mileage	Index Nos. 1920=100	Number	Index Nos. 1920=100	Number	Index Nos. 1920=100	Amount	Index Nos. 1920=100
							\$	
1920.....	51,005	100.0	3.44	100.0	8,643	100.0	5,497	100.0
1921.....	51,576	101.1	3.05	88.7	7,134	82.5	4,601	83.7
1922.....	51,860	101.7	3.01	87.5	7,275	84.2	4,319	78.6
1923.....	51,936	101.8	3.20	93.0	7,901	91.4	4,629	84.2
1924.....	52,692	103.3	3.02	87.8	7,336	84.9	4,315	78.5
1925.....	54,100	106.1	2.85	82.8	7,029	81.3	4,148	75.5
1926.....	54,279	106.4	2.99	86.9	7,520	87.0	4,425	80.5
1927.....	54,717	107.3	3.01	87.5	7,650	88.5	4,639	84.4
1928.....	55,455	108.7	3.12	90.7	7,949	92.0	4,871	88.6
1929.....	55,813	109.4	3.07	89.2	7,791	90.1	4,846	88.2
1930.....	56,585	110.9	2.80	81.4	6,888	79.7	4,403	80.1
1931.....	56,851	111.5	2.46	71.5	5,737	66.4	3,724	67.7
1932.....	57,004	111.8	2.11	61.3	4,765	55.1	2,921	53.1
1933.....	56,679	111.1	1.96	57.0	4,383	50.7	2,570	46.8
1934.....	56,519	110.8	2.05	59.6	4,700	54.4	2,668	48.5
1935.....	57,171	112.1	2.03	59.0	4,685	54.2	2,799	50.9
1936.....	56,692	111.1	2.14	62.2	5,006	57.9	2,988	54.4
1937.....	56,835	111.4	2.14	62.2	5,076	58.7	3,151	57.3

Source: STATISTICS OF STEAM RAILWAYS OF CANADA for 1920-1937, including ("Mileage operated in Provinces").

*Based on Grand Totals, excluding "Express Dept.," "Radio Dept." and "Employees Engaged in Outside Operations". (See Table 1).

TABLE No. 6

REVENUE AND NON-REVENUE FREIGHT TON MILES PER EMPLOYEE, PER HOUR OF SERVICE AND PER DOLLAR OF COMPENSATION—CANADIAN RAILWAYS FOR SPECIFIED YEARS

Year	Revenue and Non-Revenue Freight Ton Miles		Revenue and Non-Revenue Freight Ton Miles per*					
	Ton Miles (000)	Index Numbers 1923=100	Employee	Index Numbers 1923=100	Hour of Serv.	Index Numbers 1923=100	Dollars of Compensation	Index Numbers 1923=100
		%		%	%	%	%	%
1923.....	38,448,798	100.0	231,654	100.0	93.7	100.0	159.9	100.0
1924.....	34,100,175	88.7	214,297	92.5	88.2	94.1	150.0	93.8
1925.....	35,584,419	92.6	231,011	99.7	93.6	99.9	158.6	99.2
1926.....	38,300,645	99.6	235,808	101.8	93.8	100.1	159.5	99.7
1927.....	39,284,750	102.2	238,564	103.0	93.9	100.2	154.8	96.8
1928.....	46,363,755	120.6	268,082	115.7	105.2	112.3	171.7	107.4
1929.....	39,790,501	103.5	232,264	100.3	91.5	97.7	147.1	92.0
1930.....	33,259,315	86.5	209,826	90.6	85.3	91.0	133.5	83.5
1931.....	28,579,264	74.3	204,176	88.1	87.6	93.5	135.0	84.4
1932.....	25,453,172	66.2	212,064	91.5	93.7	100.0	152.8	95.6
1933.....	23,426,151	60.9	211,305	91.2	94.3	100.6	160.9	100.6
1934.....	26,156,815	68.0	225,342	97.3	98.5	105.1	173.4	108.4
1935.....	27,158,371	70.6	233,582	100.8	101.4	108.2	169.7	106.1
1936.....	29,557,779	76.9	243,380	105.1	104.1	111.1	174.5	109.1
1937.....	30,103,156	78.3	247,679	106.9	104.3	111.3	168.1	105.1

Source: STATISTICS OF STEAM RAILWAYS OF CANADA. "Operating Statistics" (p. 22, Item 57 of 1937 Report).

*Based on Grand Totals excluding Express Department, Radio Department and Employees Engaged in Outside Operations. (See Table No. 1.)

TABLE No. 7

REVENUE FREIGHT TON MILES PER EMPLOYEE, PER HOUR OF SERVICE, AND PER DOLLAR OF COMPENSATION, CANADIAN RAILWAYS FOR SPECIFIED YEARS

Year	Revenue Freight Ton Miles		Revenue Freight Ton Miles per*					
	Ton Miles (000)	Index Nos. 1920=100.0	Employee	Index Nos. 1920=100.0	Hour of Service	Index Nos. 1920=100.0	Dollars of Compensation	Index Nos. 1920=100.0
1920.....	31,894,411	100.0	181,525	100.0	72.3	100.0	113.8	100.0
1921.....	26,621,631	83.5	169,257	93.2	72.3	100.0	112.2	98.6
1922.....	30,367,886	95.2	194,664	107.2	80.5	111.3	135.6	119.2
1923.....	34,067,659	106.8	205,258	113.1	83.0	114.8	141.7	124.5
1924.....	30,513,819	95.7	191,758	105.6	78.9	109.1	134.2	117.9
1925.....	31,965,205	100.2	207,515	114.3	84.1	116.3	142.5	125.2
1926.....	34,153,466	107.1	210,275	115.8	83.7	115.8	142.2	125.0
1927.....	34,901,653	109.4	211,946	116.8	83.4	115.4	137.5	120.8
1928.....	41,610,661	130.5	240,599	132.5	94.4	130.6	154.1	135.4
1929.....	35,025,895	109.8	204,452	112.6	80.5	111.3	129.5	113.8
1930.....	29,604,545	92.8	186,768	102.9	76.0	105.1	118.8	104.4
1931.....	25,707,373	80.6	183,658	101.2	78.8	109.0	121.4	106.7
1932.....	23,136,666	72.5	192,764	106.2	85.2	117.8	138.9	122.1
1933.....	21,092,594	66.1	190,256	104.8	84.9	117.4	144.8	127.2
1934.....	23,320,451	73.1	200,907	110.7	87.8	121.4	154.6	135.9
1935.....	24,235,167	76.0	208,440	114.8	90.5	125.2	151.5	133.1
1936.....	26,414,114	82.8	217,495	119.8	93.1	128.8	155.9	137.0
1937.....	26,926,054	84.4	221,539	122.0	93.3	129.0	150.3	132.1

Source.—STATISTICS OF STEAM RAILWAYS OF CANADA—"Operating Statistics" (p. 22, Item 50, 1937 Report).

*Based on "Grand Totals," excluding Express Department, Radio Department and Employees Engaged in Outside Operations (See Table No. 1).

TABLE No. 8

TOTAL OPERATING REVENUE FOR RAIL LINE ONLY PER EMPLOYEE PER HOUR OF SERVICE AND PER DOLLAR OF COMPENSATION ON CANADIAN RAILWAYS FOR SPECIFIED YEARS

Year	Operating Revenue Rail Line		Total Operating Revenue Per					
	Amount	Index No. 1920=100	Employee*	Index No. 1920=100	Hour of Service*	Index No. 1920=100	Dollar of Comps'n*	Index No. 1920=100
	\$		\$		\$		\$	
1920.....	474,965,656	100.0	2,703	100.0	1.08	100.0	1.69	100.0
1921.....	442,268,312	93.1	2,812	104.0	1.20	111.1	1.86	110.1
1922.....	425,821,860	89.7	2,730	101.0	1.13	104.6	1.90	112.4
1923.....	459,699,430	96.8	2,770	102.5	1.12	103.7	1.91	113.0
1924.....	428,665,736	90.3	2,694	99.7	1.11	102.8	1.89	111.8
1925.....	440,275,983	92.7	2,858	105.7	1.16	107.4	1.96	116.0
1926.....	477,888,428	100.6	2,942	108.8	1.17	108.3	1.99	117.8
1927.....	483,041,680	101.7	2,933	108.5	1.15	106.5	1.90	112.4
1928.....	540,815,423	113.9	3,127	115.7	1.23	113.9	2.00	118.3
1929.....	509,962,339	107.4	2,977	110.1	1.17	108.3	1.89	111.8
1930.....	430,449,076	90.6	2,716	100.5	1.10	101.9	1.73	102.4
1931.....	340,490,669	71.7	2,433	90.0	1.04	96.3	1.61	95.3
1932.....	280,227,098	59.0	2,335	83.3	1.03	95.4	1.68	99.4
1933.....	257,801,856	54.3	2,325	86.0	1.04	96.2	1.70	100.6
1934.....	287,635,796	60.6	2,478	91.7	1.08	100.0	1.91	113.0
1935.....	296,420,005	62.4	2,549	94.3	1.11	102.8	1.85	109.5
1936.....	318,979,811	67.2	2,626	97.2	1.13	104.6	1.88	111.2
1937.....	337,872,263	71.1	2,780	102.8	1.17	108.3	1.89	111.8

Source: STATISTICS OF STEAM RAILWAYS OF CANADA, "Gross Earnings" (p. 18, Item 16 of 1937 Report).

*Based on Grand Totals excluding "Express Dept.," "Radio Dept." and "Employees Engaged in Outside Operations". (See Table No. 1.)

TABLE No. 9

TOTAL OPERATING REVENUE PER EMPLOYEE PER HOUR OF SERVICE AND PER DOLLAR OF COMPENSATION ON CANADIAN RAILWAYS FOR SPECIFIED YEARS

Year	Total Operation Revenue		Total Operating Revenue Per					
	Amount	Index No. 1920=100	Employee*	Index No. 1920=100	Hour of Service*	Index No. 1920=100	Dollar of Com- pens'n*	Index No. 1920=100
	\$		\$		\$		\$	
1920.....	492,101,104	100.0	2,801	100.0	1.12	100.0	1.76	100.0
1921.....	458,008,891	93.1	2,912	104.0	1.24	110.7	1.93	109.7
1922.....	440,687,128	89.6	2,825	100.9	1.17	104.5	1.97	119.1
1923.....	478,338,047	97.2	2,882	102.9	1.17	104.5	1.99	113.1
1924.....	445,923,877	90.6	2,802	100.0	1.15	102.7	1.96	111.4
1925.....	455,297,288	92.5	2,956	105.5	1.20	107.1	2.03	115.3
1926.....	493,599,754	100.3	3,039	108.5	1.21	108.0	2.06	117.0
1927.....	499,064,207	101.4	3,031	108.2	1.19	106.3	1.97	111.9
1928.....	563,732,260	114.6	3,260	116.4	1.28	114.3	2.09	118.8
1929.....	534,106,045	108.5	3,118	111.3	1.23	109.8	1.97	111.9
1930.....	454,231,650	92.3	2,866	102.3	1.17	104.5	1.82	103.4
1931.....	358,549,382	72.9	2,562	91.5	1.10	98.2	1.69	96.0
1932.....	293,390,415	59.6	2,444	87.3	1.08	96.4	1.76	100.0
1933.....	270,278,276	54.9	2,438	87.0	1.09	97.3	1.86	105.7
1934.....	300,837,816	61.3	2,592	92.5	1.13	100.9	1.99	113.1
1935.....	310,107,155	63.0	2,667	95.2	1.16	103.6	1.94	110.2
1936.....	334,768,557	68.0	2,756	98.4	1.18	105.4	1.98	112.5
1937.....	355,103,271	72.2	2,922	104.3	1.23	109.8	1.98	112.5

Source: STATISTICS OF STEAM RAILWAYS OF CANADA, "Gross Earnings" (p. 18, Item 41 of 1937 Report).

* Based on Grand Totals excluding "Express Dept.", "Radio Dept." and "Employees Engaged in Outside Operations." (See Table No. 1).

TABLE No. 10

NET OPERATING REVENUE PER EMPLOYEE, PER HOUR OF SERVICE AND PER DOLLAR OF COMPENSATION ON CANADIAN RAILWAYS FOR SPECIFIED YEARS

Year	Net Operating Revenue		Net Operating Revenue Per*					
	Amount	Index No. 1920=100	Employee	Index No. 1920=100	Hours of Service	Index No. 1920=100	Dollar of Compensation	Index No. 1920=100
	\$		\$		\$		\$	
1920.....	13,852,950	100.0	78.80	100.0	.031	100.0	.049	100.0
1921.....	35,427,686	255.7	225.20	285.8	.096	309.7	.149	304.1
1922.....	46,759,722	337.5	299.70	380.3	.124	400.0	.209	426.5
1923.....	64,475,229	465.4	388.50	493.0	.157	506.5	.268	546.9
1924.....	63,439,969	458.0	398.70	506.0	.164	529.0	.279	569.4
1925.....	83,147,632	600.2	539.80	685.0	.219	706.5	.371	757.1
1926.....	104,096,301	751.4	640.90	813.3	.255	822.6	.433	883.7
1927.....	92,417,927	659.9	555.20	704.6	.218	703.2	.360	734.7
1928.....	121,030,990	873.7	699.80	888.1	.275	887.1	.448	914.3
1929.....	101,028,932	729.3	589.70	748.4	.232	748.3	.373	761.2
1930.....	73,508,238	530.6	463.70	588.5	.189	609.7	.295	602.0
1931.....	37,523,794	270.9	268.10	340.2	.115	371.0	.177	361.2
1932.....	36,722,040	265.1	306.00	388.3	.135	435.5	.221	451.0
1933.....	37,145,168	268.1	335.10	425.3	.150	483.9	.255	520.4
1934.....	48,838,149	352.5	420.70	533.9	.184	593.5	.324	661.2
1935.....	46,164,256	333.2	397.00	503.8	.172	554.8	.289	589.8
1936.....	51,422,589	371.9	423.40	537.3	.181	583.9	.304	620.4
1937.....	54,450,723	393.1	448.00	568.5	.189	609.7	.304	620.4

Source: STATISTICS OF STEAM RAILWAYS OF CANADA, "Operating Statistics" (p. 24, Item 104 of 1937 Report).

* Based on Grand Totals excluding "Express Dept.", "Radio Dept." and "Employees Engaged in Outside Operations." (See Table No. 1).

TABLE No. 11

REVENUE FREIGHT TON MILES PER DOLLAR OF TOTAL OPERATING EXPENSE ON CANADIAN RAILWAYS FOR SPECIFIED YEARS

Year	Operating Expense		Revenue Freight Ton Miles per Dollar of Operating Expense	
	Amount	Index Number 1920=100	Amount	Index Number 1920=100
	\$			
1920.....	478,248,154	100.0	66.7	100.0
1921.....	422,581,205	88.4	63.0	94.5
1922.....	393,927,406	82.4	77.1	115.6
1923.....	413,862,818	86.5	82.3	123.4
1924.....	382,483,908	80.0	79.8	119.6
1925.....	372,149,656	77.8	85.9	128.8
1926.....	389,503,452	81.4	87.7	131.5
1927.....	407,646,280	85.2	85.6	128.3
1928.....	442,701,270	92.6	94.0	140.9
1929.....	433,077,113	90.6	80.9	121.3
1930.....	380,723,412	79.6	77.8	116.6
1931.....	321,025,588	67.1	80.1	120.1
1932.....	256,668,375	53.7	90.1	135.1
1933.....	233,133,108	48.7	90.5	135.7
1934.....	251,999,667	52.7	92.5	138.7
1935.....	263,942,899	55.2	91.8	137.6
1936.....	283,345,968	59.2	93.2	139.7
1937.....	300,652,548	62.9	89.6	134.3

Source: STATISTICS OF STEAM RAILWAYS OF CANADA. Operating Expense from "Operating Statistics" (p. 24, Item 103 of 1937 Report).

Revenue Freight Ton Miles from "Operating Statistics" (p. 22, Item 50 of 1937 Report).

TABLE No. 12

EARNINGS OF RAILWAY STOCKHOLDERS AND EMPLOYEES ON CANADIAN RAILWAYS FOR SPECIFIED YEARS

Year	Dividend Payments		Employees' Total Compensation*		Cash Dividend Rate	
	Amount	Index No. 1920=100	Amount	Index No. 1920=100	Per cent	Index No. 1920=100
	\$		\$			
1920.....	29,942,557	100.0	280,353,910	100.0	8.28	100.0
1921.....	30,157,307	100.7	237,287,547	84.6	8.27	99.9
1922.....	30,155,207	100.7	223,998,597	79.9	8.27	99.9
1923.....	30,356,173	101.4	240,395,813	85.7	8.05	97.2
1924.....	30,512,155	101.9	227,346,868	81.1	8.05	97.2
1925.....	30,409,773	101.6	224,380,563	80.0	8.24	99.5
1926.....	30,552,425	102.0	240,162,249	85.7	8.21	99.2
1927.....	30,606,574	102.2	253,805,373	90.5	8.22	99.3
1928.....	33,729,273	112.6	270,102,559	96.3	8.15	98.4
1929.....	35,087,201	117.2	270,495,594	96.5	7.57	91.4
1930.....	38,890,927	129.9	249,166,249	88.9	8.02	96.9
1931.....	27,247,990	91.0	211,739,598	75.5	5.65	68.2
1932.....	**2,766,198	9.2	166,528,418	59.4	0.00	00.0
1933.....	** 21,060	00.1	145,639,649	51.9	0.00	00.0
1934.....			150,808,396	53.8	Data not Available	
1935.....	108,300	00.4	160,004,927	57.1		
1936.....	199,624	00.7	169,415,709	60.4		
1937.....	1,326,336	4.4	179,110,674	63.9		

Source: STATISTICS OF STEAM RAILWAYS OF CANADA. "Income Account" (p. 16, Items 24 and 25 of 1937 Report).

Dividend Payments and Cash Dividend Rates from "Railway Capital" (p. 16 in 1931 Report).

*Represent Grand Totals excluding Express Dept., Radio Dept. and Employees Engaged in Outside Operations (p. 30 in 1931 Report).

**No Dividends paid on Common Stock—No Cash Dividend Rate Given.

TABLE No. 13

INTEREST ON FUNDED AND UNFUNDED DEBT AND COMPENSATION OF EMPLOYEES ON STEAM RAILWAYS IN CANADA FOR SPECIFIED YEARS

Year	Interest on Funded and Unfunded Debt		Compensation of Employees*	
	Amount	Index No. 1920=100	Amount	Index No. 1920=100
	\$		\$	
1920.....	59,270,279	100.0	280,353,910	100.0
1921.....	74,749,828	126.1	237,287,547	84.6
1922.....	78,378,361	132.2	223,998,597	79.9
1923.....	84,443,602	142.5	240,395,813	85.7
1924.....	89,760,514	151.4	227,346,868	81.1
1925.....	91,021,514	153.6	224,380,563	80.0
1926.....	90,415,279	152.5	240,162,249	85.7
1927.....	93,365,582	157.5	253,805,373	90.5
1928.....	96,332,027	162.5	270,102,559	96.3
1929.....	101,103,644	170.6	270,495,594	96.5
1930.....	108,936,797	183.8	249,166,249	88.9
1931.....	112,732,203	190.2	211,739,598	75.5
1932.....	117,718,043	198.6	166,528,418	59.4
1933.....	118,844,920	200.5	145,639,649	51.9
1934.....	118,913,985	200.6	150,800,396	53.8
1935.....	116,789,750	197.0	160,004,927	57.1
1936.....	112,204,371	189.3	169,415,709	60.4
1937.....	77,819,294(a)	131.3	179,110,674	63.9

Source: STATISTICS OF STEAM RAILWAYS OF CANADA. "Income Account" (p. 16, Item 19 of 1937 Report).

*Based on "Grand Totals" excluding Express Department, Radio Department and Employees Engaged in Outside Operations (See Table No. 1).

(a) Affected by Canadian National Railways Capital Revision Act, 1937.

TABLE No. 14

PORTION OF TOTAL OPERATING REVENUES REQUIRED TO PAY TOTAL EMPLOYEES' COMPENSATION ON CANADIAN RAILWAYS FOR SPECIFIED YEARS

Year	Total Operating Revenue		Total Employees Compensation*		Per cent of Revenue Required to Pay Employee Compensation	
	Amount	Index Nos. 1920=100	Amount	Index Nos. 1920=100	Percentage Nos.	Index 1920=100
	\$		\$			
1920.....	492,101,104	100.0	280,353,910	100.0	57.0	100.0
1921.....	458,008,891	93.1	237,287,547	84.6	51.8	90.9
1922.....	440,687,128	89.6	223,998,597	79.9	50.8	89.1
1923.....	478,338,047	97.2	240,395,813	85.7	50.3	88.2
1924.....	445,923,877	90.6	227,346,868	81.1	51.0	89.5
1925.....	455,297,288	92.5	224,380,563	80.0	49.3	86.5
1926.....	493,599,754	100.3	240,162,249	85.7	48.7	85.4
1927.....	499,064,207	101.4	253,805,373	90.5	50.9	89.3
1928.....	563,732,260	114.6	270,102,559	96.3	47.9	84.0
1929.....	534,106,045	108.5	270,495,594	96.5	50.6	88.8
1930.....	454,231,650	92.3	249,166,249	88.9	54.9	96.3
1931.....	358,549,382	72.9	211,739,598	75.5	59.1	103.7
1932.....	293,390,415	59.6	166,528,418	59.4	56.8	99.6
1933.....	270,278,276	54.9	145,639,649	51.9	53.9	94.6
1934.....	300,837,816	60.5	150,800,396	53.8	50.1	87.9
1935.....	310,107,155	63.0	160,004,927	57.1	51.6	90.5
1936.....	334,768,557	68.0	169,415,709	60.4	50.6	88.8
1937.....	355,103,271	72.2	179,110,674	63.9	50.4	88.4

Source: STATISTICS OF STEAM RAILWAYS OF CANADA. "Income Account" (p. 16, Item 1 of 1937 Report).

*Based on Grand Total, excluding Express Dept., Radio Dept., and Employees engaged in Outside Operations (See Table No. 1).

TABLE No. 15

PORTION OF OPERATING REVENUES FROM RAIL LINE REQUIRED TO PAY
EMPLOYEES' COMPENSATION ON CANADIAN RAILWAYS FOR SPECIFIED YEARS

Year	Operating Revenues— Rail Line		Employees' Compensation*		Percentage of Revenue Required to Pay Em- ployees' Compensation	
	Amount	Index No. 1920=100	Amount	Index No. 1920=100	Per Cent.	Index No. 1920=100
1920.....	\$474,965,656	100.0	\$280,353,910	100.0	59.0	100.0
1921.....	442,268,312	93.1	237,287,547	84.6	53.7	91.0
1922.....	425,821,860	89.7	223,998,597	79.9	52.6	89.2
1923.....	459,699,430	96.8	240,395,813	85.7	52.3	88.6
1924.....	428,665,736	90.3	227,346,868	81.1	53.0	89.8
1925.....	440,275,983	92.7	224,380,563	80.0	51.0	86.4
1926.....	477,888,428	100.6	240,162,249	85.7	50.3	85.3
1927.....	483,041,680	101.7	253,805,373	90.5	52.5	89.0
1928.....	540,815,423	113.9	270,102,559	96.3	49.9	84.6
1929.....	509,962,339	107.4	270,495,594	96.5	53.0	89.8
1930.....	430,449,076	90.6	249,166,249	88.9	57.9	98.1
1931.....	340,490,669	71.7	211,739,598	75.5	62.2	105.4
1932.....	280,227,098	59.0	166,528,418	59.4	59.4	100.7
1933.....	270,278,276	56.9	145,639,649	51.9	53.9	91.4
1934.....	287,635,796	60.6	150,808,396	53.8	52.4	88.8
1935.....	296,420,005	62.4	160,004,927	57.1	54.0	91.5
1936.....	318,979,811	67.2	169,415,709	60.4	53.1	90.0
1937.....	337,872,263	71.1	179,110,674	63.9	53.0	89.8

Source:—STATISTICS OF STEAM RAILWAYS OF CANADA. "Gross Earnings" (page 18, Item 16 of 1937 Report).

* Based on total employees' compensation, excluding that of Express Department, Radio Department and Employees Engaged in Outside Operations. (See Table No. 1).

TABLE No. 16

PERCENTAGE OF TOTAL OPERATING REVENUE REQUIRED TO PAY INTEREST ON
CANADIAN RAILWAYS FOR SPECIFIED YEARS

Year	Total Operating Revenue		Interest on Funded and Unfunded Debt		Percentage of Operating Revenue Required to pay Interest	
	Amount	Index No. 1920=100	Amount	Index No. 1920=100	Per cent	Index No. 1920=100
1920.....	\$		\$			
1920.....	492,101,104	100.0	59,270,289	100.0	12.0	100.0
1921.....	458,008,891	93.1	74,749,828	126.1	16.3	135.8
1922.....	440,687,128	89.6	78,378,361	132.2	17.8	148.3
1923.....	478,338,047	97.2	84,443,602	142.5	17.7	147.5
1924.....	445,923,877	90.6	89,760,514	151.4	20.1	167.5
1925.....	455,297,288	92.5	91,021,514	153.6	20.0	166.7
1926.....	493,599,754	100.3	90,415,279	152.5	18.3	152.5
1927.....	499,064,207	101.4	93,365,582	157.5	18.7	155.8
1928.....	563,732,260	114.6	96,332,027	162.5	17.1	142.5
1929.....	534,106,045	108.5	101,103,644	170.6	18.9	157.5
1930.....	454,231,650	92.3	108,936,797	183.8	24.0	200.0
1931.....	358,549,382	72.9	112,732,203	190.2	31.4	261.7
1932.....	293,390,415	59.6	117,718,043	198.6	40.1	334.2
1933.....	270,278,276	54.9	118,844,920	200.5	44.0	366.7
1934.....	300,837,816	60.5	118,913,985	200.6	39.5	329.2
1935.....	310,107,155	63.0	116,789,750	197.0	37.7	314.2
1936.....	334,768,557	68.0	112,204,371	189.3	33.5	279.2
1937.....	355,103,271	72.2	(a) 77,819,294	131.3	21.9	182.5

Source: STATISTICS OF STEAM RAILWAYS OF CANADA. Total Operating Revenues from "Income Account" (p. 16, Item 1 of 1937 Report).

Interest on Funded and Unfunded Debt from "Income Account" (p. 16, Item 19 of 1937 Report).

(a) Affected by Canadian National Railways Capital Revision Act, 1937.

TABLE No. 17

PERCENTAGE OF OPERATING REVENUE FROM RAIL LINE USED TO PAY INTEREST ON CANADIAN RAILWAYS FOR SPECIFIED YEARS

Year	Operating Revenue Rail Line		Interest on Funded and Unfunded Debts		Per cent of Rev. Req'd to Pay Int.	
	Amount	Index No. 1920=100	Amount	Index No. 1920=100	Per cent	Index No. 1920=100
	\$		\$			
1920.....	474,965,656	100.0	59,270,289	100.0	12.5	100.0
1921.....	442,268,312	93.1	74,749,828	126.1	16.9	135.2
1922.....	425,821,860	89.7	78,378,361	132.2	18.4	147.2
1923.....	459,699,430	96.8	84,443,602	142.5	18.4	147.2
1924.....	428,665,736	90.3	89,760,514	151.4	20.9	167.2
1925.....	440,275,983	92.7	91,021,514	153.6	20.8	166.4
1926.....	477,888,428	100.6	90,415,279	152.5	18.9	151.2
1927.....	483,041,680	101.7	93,365,582	157.5	19.2	153.6
1928.....	540,815,423	113.9	96,332,027	162.5	17.8	142.4
1929.....	509,962,339	107.4	101,103,644	170.6	20.0	160.0
1930.....	430,449,076	90.6	108,936,797	183.8	25.3	202.4
1931.....	340,490,669	71.7	112,732,203	190.2	33.1	264.8
1932.....	280,227,098	59.0	117,718,043	198.6	42.0	336.0
1933.....	270,278,276	56.9	118,844,920	200.5	44.0	352.0
1934.....	287,635,796	60.6	118,913,986	200.6	41.3	330.4
1935.....	296,420,005	62.4	116,789,750	197.0	29.4	315.2
1936.....	318,979,811	67.2	112,204,371	189.3	35.2	281.6
1937.....	337,872,263	71.1	(a) 77,819,294	131.3	23.0	184.0

Source: STATISTICS OF STEAM RAILWAYS OF CANADA. Operating Revenue Rail Line from "Gross Earnings" (p. 18, Item 16 of 1937 Report).

Interest on Funded and Unfunded Debt from "Income Account" (p. 16, Item 19 of 1937 Report).

(a) Affected by Canadian National Railways Capital Revision Act, 1937.

TABLE No. 18

RATIO OF INTEREST PAYMENTS TO EMPLOYEE COMPENSATION ON CANADIAN RAILWAYS FOR SPECIFIED YEARS

Year	Employees' Compensation*		Interest on Funded and Unfunded Debt		Employees' Compensation per Dollar of Interest Payment	
	Amount	Index No. 1920=100	Amount	Index No. 1920=100	Amount	Index No. 1920=100
	\$	%	\$	%	\$	%
1920.....	280,353,910	100.0	59,270,289	100.0	4.73	100.0
1921.....	237,287,547	84.6	74,749,828	126.1	3.17	67.0
1922.....	223,998,597	79.9	78,378,361	132.2	2.86	60.5
1923.....	240,395,813	85.7	84,443,602	142.5	2.85	60.3
1924.....	227,346,868	81.1	89,760,514	151.4	2.53	53.5
1925.....	224,380,563	80.0	91,021,514	153.6	2.47	52.2
1926.....	240,162,249	85.7	90,415,279	152.5	2.66	56.2
1927.....	253,805,373	90.5	93,365,582	157.5	2.72	57.5
1928.....	270,102,559	96.3	96,332,027	162.5	2.80	59.2
1929.....	270,495,594	96.5	101,103,644	170.6	2.60	56.7
1930.....	249,166,249	88.9	108,936,797	183.8	2.29	48.4
1931.....	211,739,598	75.5	112,732,203	190.2	1.88	39.7
1932.....	166,528,418	59.4	117,718,043	198.6	1.41	29.8
1933.....	145,639,649	51.9	118,844,920	200.5	1.23	26.0
1934.....	150,808,396	53.8	118,913,986	200.6	1.27	26.8
1935.....	160,004,927	57.1	116,789,750	197.0	1.37	29.0
1936.....	169,415,709	60.4	112,204,371	189.3	1.51	31.9
1937.....	179,110,674	63.9	77,819,294 ^a	131.3	2.30	48.6

Source: STATISTICS OF STEAM RAILWAYS OF CANADA. Compensation ("Employees and Salaries and Wages").

Interest on Funded and Unfunded Debt from "Income Account" (p. 16, Item 19 of 1937 Report).

*Compensation figures represent Grand Totals, excluding Express Department, Radio Department and Employees Engaged in Outside Operations.

(a) Affected by Canadian National Railways Capital Revision Act, 1937.

EXHIBIT No. 104

CANADIAN NATIONAL RAILWAYS

DISTRIBUTION OF INCOME DEFICIT FOR YEAR 1937—LINES BUILT OR ACQUIRED
SINCE JAN. 1, 1921

	Mileage	Cost of Construction or Acquisition	Income Result after Interest and Taxes	
		\$	\$	
Lines which earn enough to pay operating expenses, taxes and interest charges.....	36	3,127,300	Cr.	48,200
Lines which pay operating expenses but fail to earn enough to pay taxes and interest charges.....	58	5,039,400	Dr.	70,200
Lines which fail to pay operating expenses.....	2,178	77,316,600	Dr.	3,555,700
Total.....	2,272	85,483,300	Dr.	3,577,700

Department of Research and Development, C.N.R.,
Montreal, April 24, 1939.

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(THE SENATE OF CANADA)



PROCEEDINGS

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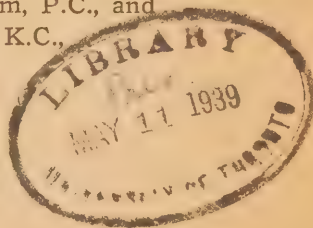
SPECIAL COMMITTEE

Appointed to

ENQUIRE INTO AND REPORT UPON THE BEST MEANS OF RELIEVING THE
COUNTRY FROM ITS EXTREMELY SERIOUS RAILWAY CONDITION
AND FINANCIAL BURDEN CONSEQUENT THERETO

No. 9

The Right Honourable George P. Graham, P.C., and
the Honourable C. P. Beaubien, K.C.,
Joint Chairmen



CONTENTS:

Communication dated May 3, 1939, from Mr. J. S. Hungerford, Chairman and President, C.N. Rys.

Further discussion on Motion re submission of evidence to firm of railway engineers and accountants for study, etc.

Statement by Mr. O. M. Biggar, K.C., counsel to the committee re summary of evidence adduced before the committee.

ORDER OF APPOINTMENT

(Extracts from the Minutes of Proceedings of the Senate for March 7, 1939)

Resolved,—That, with a view of completing the inquiry pursued during last session by the Special Railway Committee of this House, and preparing and submitting an adequate report on such inquiry, this Special Committee be re-appointed with a view to inquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, with power to send for persons, papers and records and that the said Committee be re-appointed with the same personnel and, therefore, that it consist of the Honourable Senators Beaubien, Black, Buchanan, Calder, Cantley, Côté, Dandurand, Graham, Haig, Hugessen, Horsey, Jones, Hardy, McRae, Meighen, Murdock, Parent, Robinson, Sharpe and Sinclair.

MINUTES OF EVIDENCE

THE SENATE,

THURSDAY, May 4, 1939.

The special committee appointed to inquire into and report upon the best means of relieving the country from the extremely serious railway condition and financial burden consequent thereto, met this day at 11 a.m.

Right Hon. George P. Graham and Hon. C. P. Beaubien, joint chairmen.

Colonel O. M. Biggar, K.C., counsel to the committee.

Hon. Mr. DANDURAND: Mr. Chairman, last Tuesday I asked for adjournment of the debate on the motion of my right honourable friend Mr. Meighen in order that I might prepare an answer. This I have thought of sufficient importance to put down in writing. I do not pledge myself that this answer expresses the views of the Government as to form, but it does as to matter.

The motion asked that the evidence adduced before the committee be submitted to a firm of railway engineers and accountants so that they may study it in its practical railway engineering and accounting features and make such physical examinations as may be deemed necessary with a view to making a full report to this committee of what, in the judgment of such firm, might be saved by unified management and the extent, if any, such savings would impair railway service to the people of Canada.

Such an examination as that proposed by the resolution would involve a heavy expenditure of public moneys and require many months to complete. The Duff Commission appointment of which was suggested in the first instance by Sir Edward Beatty, held its first session on December 4, 1931, and made its report on September 14, 1932. In the course of its investigations it held eighteen sittings occupying fifty days altogether, and travelled over most of the main line mileage of the two chief railway systems. Throughout its journeys the commission were accompanied by the responsible officers of both railways as there was almost constant discussion with them of matters affecting the inquiry. The cost of the commission was \$92,386, and would have been considerably greater but for the fact that the Canadian members gave their services free of charge. The two members of the commission from outside Canada, Lord Ashfield, of London, England, and L. F. Lorce, President of the Delaware and Hudson, New York, received honorariums of \$15,000 each.

The Duff Commission engaged one expert railway analyst who was recommended by the United States member of the commission. He was paid at the rate of \$100 a day, the two railways and the Department of Railways contributing free of charge the staff and information necessary to enable him to make a report. This one man received \$15,000.

The Drayton-Acworth-Smith Commission, whose report led to the taking over of the railways, was appointed in July, 1916, and reported in July, 1917. In the interval it travelled upwards of 10,000 miles between Halifax and Vancouver, and the cost to the people of Canada of that examination was \$127,281. Included in this total was \$60,000 the cost of a physical examination by Professor Swain, of Harvard University and the Massachusetts Institute of Technology and a staff of engineering assistants. Sir Henry Drayton, chairman of the commission, served free of charge, he being Chief Commissioner of the Railway Board; Mr. Smith, president of the New York Central Lines, was paid \$50,000, and Mr. Acworth \$15,000.

Even single expert advisers run into money. For instance, Sir Frederick Palmer's report on his Hudson Bay terminal investigation cost the country \$45,000, and his examination of the Montreal terminal situation \$38,332. Experts' fees come high. What would this new venture entail in the terms of this motion? I would say nothing short of a hundred thousand dollars to properly cover the terms of the resolution.

These facts are mentioned to show what such an examination as now proposed would involve in time and money. They not only involve cost to the Government but cost to the railways whose officials would require to attend all investigations made, to the neglect of their regular duties, just as the railway staffs at Montreal and elsewhere must have been hampered by the necessity of so many prominent officials of the railways to attend here to give evidence, not only to this committee but to the Commons committee.

There is a further important feature. The motion requires that the evidence be submitted to some firm of experts free from all interests in either railway system. This of necessity would make it necessary to go to the United States or to England for such advice. This means that whoever was selected would be unacquainted with the transportation problem as it exists in Canada. It is, as we all know, a highly controversial problem, intricately connected with national and public policy. Would it be expedient or advisable to ask strangers to advise Parliament as to what measure of public service the people of Canada should be satisfied with? I think not.

The Canadian Pacific has predicated its case upon a savings of \$75,000,000. This was the claim put forward to the Duff Commission and insisted upon before this Committee both last year and this year with such modifications only as were summarized in Mr. D. C. Coleman's letter which was placed before the Committee on Wednesday, April 26, in which it was claimed that, under traffic and business conditions which prevailed in 1937, annual savings of \$56,346,000 could be effected after making the adjustments necessary to provide for the fact that the normal rates of pay in force in 1930, and now again in effect, were only in process of restoration in 1937.

This figure makes no provision for any saving resulting from abandonment of lines for which \$16,366,000 (on the basis of 5,051 miles of track) was claimed before the Duff Commission. Mr. Coleman's letter, referred to, states that the 56 million figure now put forward makes no provision for any saving resulting from abandonment of lines. But assuming such abandonments as the Canadian Pacific believe the Board of Transport Commissioners would authorize in the event of unification under present conditions, he said the estimate would be increased up to \$59,361,000. So that we have from the Canadian Pacific now a figure of \$59,361,000 in place of the 75 million figure which has been so prominently publicized throughout Canada by the proponents of unification.

Before Mr. Coleman's letter was before us Mr. Harvey Black, financial expert at Montreal, had testified before this Committee on the effect of the \$75,000,000 savings under unification, and he pointed out that by allowing for the 50 per cent share claimed for the private company, namely, \$37,500,000, and deducting that sum from operating costs as they actually were for 1930 to which the estimate applied, the operating ratio of the Canadian Pacific, instead of having been 79 per cent in that year would have been cut to 58 per cent, a level sharply below that of any railway in the United States or Great Britain. He further instanced that in 1930 the average operating ratio, which as honourable gentlemen know is the ratio of operating expenditure to operating revenues, was 74.4 per cent, while the average of the four British railways was 80.8 per cent. Incidentally, it is of interest to note that the Canadian Pacific operating ratio for 1938 was 85.41 per cent. Thus, as Mr. Black said, the showing for the Canadian road in the circumstances requisite to the Canadian Pacific's claimed savings would amount to a railway miracle.

This motion before the Committee is based on the clear assumption that unification or amalgamation as suggested by the Canadian Pacific Railway is envisaged by the mover. He knows full well that the Canadian people will never consent to hand over its whole railway system, 42,000 miles of line and a combined operating expenditure of \$297,681,826.67 for 1938, to private management. Such an organization would undoubtedly be in a position to dominate the State. That is the hurdle about which Senator Calder and I spoke a couple of days ago.

The Government, that is presently the Liberal Government, is opposed to any such plan, while the right honourable gentleman's party at its Dominion convention last fall, with delegates from all over Canada, rejected unification, as did also the right honourable gentleman's leader, Dr. Manion.

I suggest that this Committee report the evidence for the use of the Government of Canada as and when it feels the need of further information relating to this question. It will thus be able to add that information to that which it already has in store from the Drayton-Acworth report, from the proceedings of the Duff Commission, and also from the report of the Rowell Commission which may shortly be expected. While the railway question was not one of the specific points referred to the Rowell Commission, which was appointed to deal with matters of jurisdiction between the Dominion and the provinces, representations were made to the Commission at various points with respect to the Canadian transportation problem. For instance, the province of Alberta put forward certain complaints respecting the freight rates structure, and the governments of the Maritime Provinces, through the transportation branch of the Maritime Board of Trade, made certain complaints with regard to freight rates and transportation services. The Canadian Manufacturers' Association also filed an extensive brief which, among other things, dealt with the position of the Canadian National Railways and the incidence of the deficits of that railway upon our public finances.

During the course of its investigation, the Commission made inquiries with respect to the divided jurisdiction between the provinces and the Dominion in the field of transportation, the Dominion admittedly having jurisdiction over Dominion railways, while the provinces, under the British North America Act are supreme in the matter of highway transport. All of these questions affect considerably the general railway problem with which the Senate Committee has been attempting to deal, and the findings or recommendations of the Rowell Commission with respect to such matters will no doubt be of great interest in relation to our transportation problem.

Our work has been useful inasmuch as it has informed the Canadian people as to the services the Canadian National Railway is performing for the country at large, not only as a commercial undertaking, but as an instrument in the development of the Dominion. It has also shown the load it has been carrying for the State in the operation of lines apparently unprofitable, but which the country cannot dispense with, either because of the population tributary to such lines or because of necessity to continue the development of regions which are full of promise and are already adding considerably to the national wealth of the country as a whole.

I may be told that I am not proposing any remedy aiming at the reduction of the Canadian National Railways' deficit, or for the improvement of the difficult conditions which attend the operation of the two railway systems, faced as they are with many difficult problems. It has been said before this Committee that they are weighted down with excessive wage rates and with a freight rate structure which should be modified.

As to the wages, as in the past that matter is one for negotiation between the companies and their employees, and there is no desire that the railway men of Canada should be paid less than a living wage. As to the freight rates

structure, high class commodities carried at short haul, have made possible the carriage of long haul bulk commodities at rates which are calculated to enable Canada to maintain its position as an exporting nation. As a result the railways have been hit in the most vulnerable part by the truck competition which, under provincial jurisdiction and without regulation at all commensurate with that imposed upon the railways, has taken the cream of the short-haul business. That situation is now in a fair way to be corrected by the agreed charge provisions of the Transport Act of last session, which authorizes the railways to make agreements with shippers for the movement of their entire output, both long and short haul, at rates which should enable the railways to compete with highway transport.

Now I desire to impress upon the officials of the two systems my view as to what should be their policy in the matter of reducing expenditures. As a matter of fact, they need no outside expert advice. They themselves know thoroughly what can be done. No one knows better than they do—if they have the will to do it. I have high regard for their knowledge, their competency, and their efficiency. They have been given an instrument by Parliament which, if so inclined, they can utilize to the full, and with which they can largely work out their own salvation. That instrument is the Act of 1933. Do the railways want to save themselves? Does the Canadian Pacific Railway want to maintain its autonomy? I am sure it does, but I warn it that its campaign for unification, if continued, will inevitably lead the public mind towards State ownership, should that railway find itself unable to carry on under present auspices, and under the remedy provided by Parliament during the regime of my right honourable friend. I allude to the Act of 1933.

My right honourable friend must know as well as I that unification of Canadian railways under private management is not possible and will not take place. The Government is trying to smooth the road towards greater co-operation by introducing legislation looking for more considerate treatment of employees dislodged as a result of co-operative measures, and that should make possible the speeding up of co-operative activities which this Committee recommended in its interim report at the end of last session.

I feel that the time has come to speak plainly to the men who have been accustomed—in their days of prosperity—to speak haughtily and with seeming disdain, of the men who have been endeavouring to direct the ship of State. Yes, I have myself heard them say that public men were merely politicians. They must now be prepared to practise modesty, to drop their pride, and that other attribute of which we have heard so much before this Committee, namely their prestige. They must agree among themselves—the two railways—to a referee in cases of disagreement, such referee preferably to be the chairman of the Board of Transport Commissioners for Canada, which Board, under the Railway Act, must in the last analysis decide as to rates and services. They can, if they so desire, go a long way towards their goal as the public authorities and the public in general are most desirous of helping them on the line which an Act of Parliament has already laid down for their guidance and which the Duff Commission said would, if adopted, ensure progressive and co-ordinated development on an economic basis of the railway systems and afford relief to the Federal Treasury. It is time that the recommendations of the Duff Commission receive proper weight and due consideration at the hands of Canadian railway authorities.

From the above it is obvious the Government could not recommend to Parliament such an investigation.

Right Hon. Mr. MEIGHEN: In order that we may not be here indefinitely, I will not ask that the committee adjourn until I have prepared a long speech in answer to my honourable friend. The speech which we have heard, perhaps more extensively to-day, we have heard two or three times already, and I think

it would be much more appropriate when the report was made to the House. I warn my honourable friend that when that time comes he will find himself exhausted in declamation and argument; he will have nothing left for his speech in the Senate.

All we ought to be discussing is whether or not this motion should pass.

Hon. Mr. DANDURAND: I took it for granted that my right honourable friend was crystallizing in his motion virtually his conclusion drawn from our investigation.

Right Hon. Mr. MEIGHEN: I will read the motion again:

That the evidence before this committee be submitted—

I ask the committee to note it is the evidence to be submitted.

—to a firm of railway engineers and accountants of high standing, free from all interest in either railway system, to the end that such firm may study said evidence, and especially its practical railway engineering and accounting features, and make such physical examinations as it may deem necessary with a view to making full report to this committee as to what in the judgment of such firm would be the amount of savings—

It is to be noted they are to be asked to report only on one thing.

Hon. Mr. DANDURAND: Will my right honourable friend continue?

Right Hon. Mr. MEIGHEN: I will. I know my honourable friend will be satisfied if he will not be so impatient.

—which could be effected by a system of unified management, and whether and to what extent, if any, such savings would entail impairment of service to the Canadian people.

In other words, that an involved question, perhaps as involved as any ever before the members of this committee.

Hon. Mr. DANDURAND: But my right honourable friend has not read his motion in full.

Right Hon. Mr. MEIGHEN: Every word.

Hon. Mr. DANDURAND: But you ask those railway engineers and accountants to examine the physical conditions.

Right Hon. Mr. MEIGHEN: I read that. I will read it again. I do not know why my honourable friend is so nervous. He seems to be "jumpy". I have already read every word of it, but I will read it again.

That the evidence before this committee be submitted to a firm of railway engineers and accountants of high standing, free from all interest in either railway system, to the end that such firm may study said evidence, and especially its practical railway engineering and accounting features, and make such physical examinations as it may deem necessary with a view to making full report to this committee as to what in the judgment of such firm would be the amount of savings which could be effected by a system of unified management, and whether and to what extent, if any, such savings would entail impairment of service to the Canadian people.

Hon. Mr. DANDURAND: That is right.

Right Hon. Mr. MEIGHEN: That is what I read before.

The first contention my honourable friend made was that this study and examination would be quite extensive. I do not doubt the cost in money, and there is no one on this committee or anywhere in Parliament more anxious than I am to save money, especially money on what we might call professional people.

I do not apprehend, though, nor did I intend that it should be of anything like the nature which my honourable friend attributed to it, wholly without warrant from the terms of the resolution, namely, the nature of a commission to make further investigations and hear testimony. I cannot think of anything more disastrous than that we should end here with a recommendation for a commission. We have had commissions in such monotonous succession—and we have certainly had some good ones in respect of railways—that the thought of having another commission at this time after the aggregate of our troubles has reached the peak which it has reached to-day, seems to me positively incomprehensible. I cannot imagine anything more foolish.

Hon. Mr. DANDURAND: How can they examine into the physical conditions without going into such an investigation?

Right Hon. Mr. MEIGHEN: I plead with my honourable friend to be patient. I do not intend anything of the kind.

We have had two parallel streams of evidence, one urging upon us that in a certain sphere of railway operation there would be such and such savings by unified management, that in another sphere there would be such and such savings, running usually into millions, that in another sphere there would be such and such savings, and in still another such and such savings, running perhaps to a total of from fifteen to twenty sections or spheres of railway operation. We have been listening to that now for nearly two sessions. There is a distinct difference of view. We probably are able to come to fairly intelligent conclusions upon that evidence, just as a jury can generally, but I do not think our judgment will be very impressive to the people of Canada. We are neither expert accountants nor expert railway men, not one of us, and therefore, inasmuch as the development of a latent public opinion on this subject is of first consequence, it seems to me it would be well to get such an authoritative analysis of this viewpoint right down the line. I think that can best be secured from such a firm as here described, a firm whose business it is to analyse such features and who have the accountancy and engineering staff to do that work.

It might be necessary, perhaps it would be in the more important items, to make a physical examination. I am not sure that it would be necessary. All these plans, all the data, maps, physical contours and everything material are in the railway offices. It is all there. That is the material these people use. If there is anything on that evidence to be supported or destroyed, they can get the data there. They do not need to travel. I express that opinion with some diffidence, for I am not an expert, but it does not occur to me that they would need to travel. Therefore the expense would not be unduly large, and certainly would be negligible in relation to the colossal deficits we are confronted with and the colossal amounts we are called upon to find to meet those deficits.

This is the whole purpose of my motion. But I direct attention again with particular emphasis to the fact that the single objective is here: What can be the savings? How far is there any impairment of service from those savings? If they feel there are savings and also impairment of service, then it is for the Government and Parliament to decide whether or not those savings are worth the impairment. Those railway engineers and accountants do not decide anything. They simply give their authoritative opinion of the merits of the two classes of evidence which are in distinct conflict.

I had hoped the Government would see fit to adopt this resolution. I had an intimation in the Senate from the leader of the Government that because this even contemplated the possibility of unified management, the Government could not have it; that if they adopted it, and the report happened to be all against the C.N.R. officials, it would not affect their judgment in any way, because they are determined not to bring about a remedy thereby proved to exist for fear of the serious consequences to themselves.

Hon. Mr. DANDURAND: To the country.

Right Hon. Mr. MEIGHEN: What I do take exception to most emphatically in the attitude of my honourable friend is this. For the second, third or fourth time he has quoted to me the position of the Government party and of the Conservative party. I have respect for both parties. I think both have rendered great service to this country. No one has more respect for the leader of the party with which I have been associated in this Dominion than I have. I have a personal affection for him, and anything I say would never be construed as inconsistent with that affection. But I hold my own view wholly as to the duty of this House, and especially of this committee. If this committee is to be told to-day, to-morrow or next day, "Here is what the Government say, and we dare you people over there to do anything else, because here is what your leader says," well, this committee would be nothing but a mere farce. It would not be worthy the name of an investigating committee into a grave and enormous problem that to-day agitates the mind of every intelligent person in this country. In fact our House would be utterly valueless, and I for one would welcome its extinction if such principles were to dominate our conduct. Don't let anyone quote me as pleading for the continuance of the Senate if we docilely walk along that groove. If we do we are utterly worthless.

The remainder of my honourable friend's address was a lecture to the two systems ostensibly. As a matter of fact, of course, it was a lecture to one only. The other system is the Government itself. The evidence before this committee is very disturbing along that line. The idea of telling us that the problem is in the hands of the two railway companies, that the Act of 1933 is there and it is for them to live up to it! Well, after five and a half years have gone by the best we can do is to renew that lecture to the railway companies. I had hopes of substantial results from the Act of 1933, which I sponsored in the Senate. It was based upon the report of the Duff Commission, which rendered one of the finest services ever rendered to Canada. But I do not think my honourable friend has such confidence in that report, as he now admits. Certainly many on our side did not. There are men on the committee who opposed my view entirely, on the ground that such co-operation would be stifled by the very diversity of interests. We know it is stifled. Here we are at this time barren of any results. We are here with nothing but a mere pittance, with the mountain still ahead, as rocky and black and foreboding as it ever was. My honourable friend thinks the solution is to read another lecture to the railways, and he suggests that we end there. I plead with this Committee—I have pleaded it so often that I am getting very discouraged—do not let the work of the Committee over two sessions, earnest and hard work to which the people of Canada have looked with confidence and hope, do not let it end in a mere farcical abortion, in a mere lecture to the railway companies. If that is to be the outcome of it, this country will be swept with a wave of disappointment and resentment the sound of which probably even the leader of the Government will hear.

This thing cannot be trifled with longer. I know something of the results of taxation, and I know something of the fear of greater taxation. I am in contact with it every day. I know of enterprises stillborn because of it. And I know enterprises which had some hopes for extension and expansion, but which are simply hamstrung, not only by the present situation but by the certainty of even worse to come.

Are we to say now, "It is up to you railways to solve this problem, and if you do not solve it you will get another lecture from us?" Are we to say at one point, "We are helpless to do anything; nothing can be done," and at another point "Something can be done if only the railways will be good"? Surely we are not going to end that way.

The honourable leader tells me that I envisage unified management. I have never envisaged unified management for a minute, nor for a second. If anybody here will tell me any other solution, will indicate any other solution to me and give us a chance to explore it, I will pass unification out of my mind for good. But I do want a solution. I do want to contribute my part, while I am here, to getting something done in respect of what is certainly the most obdurate and the most perilous problem confronting the people of our country.

I express my deep regret that this motion has not been accepted. I cannot understand why it is not accepted. I cannot say that I expected it to be, because I was disturbed by remarks of the honourable leader in the House. But if ever there was a case for getting authoritative opinion and judgment on two sets of technical evidence, it is this. Yet the Government refuse to have a study made, because they fear it might even indicate that they were ready to consider one form of solution. They are not ready to consider any. They have none, and they stand helpless and paralyzed before Parliament.

Hon. Mr. CALDER: Senator Meighen, may I ask you a question before Senator Dandurand replies? When this motion was submitted I voted for it, but I never for a moment contemplated the possibility that the motion would require an extensive examination of the physical property.

Right Hon. Mr. MEIGHEN: It does not, at all.

Hon. Mr. CALDER: Never for a moment.

Hon. Mr. MURDOCK: You did not vote for this motion, did you? The motion has not been put to a vote.

Hon. Mr. CALDER: I mean, I favoured it. As soon as the motion was read I favoured it, because I had spoken several times previously along that line. Now, my question is this. If that reference to the examination of physical properties where deemed necessary is eliminated from your motion, Senator Meighen, would it have any real effect upon it?

Right Hon. Mr. MEIGHEN: I should not like to word the motion so as to forbid the firm from seeing the situation on the ground—in Montreal, for example,—if they thought that would give them a better understanding of the evidence. But they would not be able to take any evidence at all. They would simply examine the evidence which has been taken. And I express the view that there would be no necessity of making a physical examination at all. If necessary, the agreement could provide that no physical examination be made.

Hon. Mr. DANDURAND: I will not speak now if there are any members around the table who desire to say anything.

Hon. Mr. ROBINSON: Was there not a very extensive report on accounting prepared for the Duff Commission by an expert from the United States?

Right Hon. Mr. MEIGHEN: Not on the savings feature, I think.

Hon. Mr. ROBINSON: I have seen a report, which occupies a volume by itself. It is in the library here. The cost for that report on accounting alone was about \$15,000. And I think it is just so much water over the dam—not even worth considering. I believe it was not even mentioned in the Commission's report. If I am not mistaken, the expert made two reports, only one of which has been made public.

Hon. Mr. BLACK: Was that on the evidence submitted before this Committee?

Hon. Mr. ROBINSON: Before the Duff Commission.

Hon. Mr. BLACK: This motion does not refer to the Duff Commission. It asks for a review, by people who know more about the thing than we do, of the evidence which has been submitted here as to the savings that might be effected by unification.

Hon. Mr. DANDURAND: If nobody else wishes to speak, then I will answer my right honourable friend's argument, in a very few words. He will readily understand, I am sure, that the Government could not go before the House of Commons to-day and ask them to vote \$25,000 or \$50,000 or \$100,000, or whatever sum might be deemed necessary, to cover the cost of an investigation such as is suggested in this motion. He will understand that because he knows the Government have said they stand for the integrity of the Canadian National Railways system and against anything which would tend to restrict the autonomy of that system—either unification or amalgamation. In the debate in the Senate on Senator Beaubien's motion to revive this Committee, I mentioned what the Government's policy on this matter was. My right honourable friend will realize that under that policy the Government could not ask Parliament to vote a certain sum of money to have a study made by experts.

My right honourable friend says he does not envisage unification. The whole purport of the motion tends to the conclusion that unification is envisaged. Then my right honourable friend asks if we have any other scheme than unification or co-operation to propose. These are the two proposals that have come before us—

Hon. Mr. HAIG: Senator Dandurand, suppose that experts were appointed and, after reading over the evidence of the Canadian Pacific witnesses and the Canadian National witnesses, they concluded that neither unification nor amalgamation would produce any worth-while saving. They might estimate the possible saving at \$5,000,000 or \$10,000,000 or only \$1,000,000. But they might conclude that the loss to the public service of Canada would be greater than the savings. Then their report would be against unification. That is, they would be free to report for or against unification, as they saw fit. But you are anticipating that they would make a report in favour of unification.

Hon. Mr. DANDURAND: I take it that any examination which would be made under this resolution would be absolutely valueless. Here is why I think so. The experts appointed would not know from the evidence just what would have to be done to make the savings that were estimated by Canadian Pacific officials. Those officials refused to disclose details of their proposed program, because they said that to do so would create too much disturbance in the country. They refused to state where the axe would fall in the making of the savings which they affirm can be made. So these experts would be faced with statements indicating that savings could be made under certain heads, but they would not be able to check the details.

Hon. Mr. HAIG: It was only with respect to abandonments that they refused to give the details.

Hon. Mr. DANDURAND: Oh no; it was on many other things too.

Hon. Mr. HUGESSEN: Passenger trains and terminals.

Hon. Mr. DANDURAND: They would not give details on many things. So the experts would be unable to visualize where the estimated savings would take place.

There is something else that the experts would not be able to size up. That is the practicability of carrying out such large scale reductions without adversely affecting public interest. I would spurn the advice of strangers to Parliament upon a matter of public policy concerning the administration of our two railways. It is a complex situation.

Right Hon. Mr. MEIGHEN: The motion does not say that at all. The experts would advise only about the railway service.

Hon. Mr. DANDURAND: The motion would require the firm to report; ". . . and whether and to what extent, if any, such savings would entail impairment of service to the Canadian people."

Right Hon. Mr. MEIGHEN: Railway service.

Hon. Mr. DANDURAND: What business have we to turn to strangers and ask them to advise Parliament on that point? We have the maps and we know the situation. It is for Parliament to decide.

Hon. Mr. BLACK: Why do we ever bring in experts to advise Parliament? Why did we bring in Sir Frederick Palmer, for instance?

Hon. Mr. DANDURAND: To reach conclusions on technical matters. But as to a general policy affecting the welfare and economic conditions of the country, I say we should not ask foreign experts to advise Parliament on that.

Hon. Mr. BLACK: That is begging the whole question.

Hon. Mr. DANDURAND: I am looking at the map, and I see what are the difficulties. The Canadian National belonging to the people of Canada is rendering considerable service at a loss by maintaining unprofitable lines; but those unprofitable lines must be maintained because they are serving certain districts and are feeders for the main line. We are facing that situation. This committee must realize that this motion means the Government must ask Parliament for the necessary money to cover the cost of such an investigation as is proposed—a cost that may run into tens of thousands of dollars. There is no question as to that. It is a question of policy which now dominates the whole situation. I wonder if this committee will decide to have those high-class engineers, as described in the motion, from Great Britain or from the United States to undertake the suggested investigation in order to see if there is any virtue in unification. Even if there—

Right Hon. Mr. MEIGHEN: Why would there be no firm in Canada which would not have any interest in either railway? It certainly would intellectually; but financially, why would they?

Hon. Mr. DANDURAND: I do not know of any firm in Canada—

Right Hon. Mr. MEIGHEN: I do not know that there is any.

Hon. Mr. DANDURAND: —that would fit in with the terms of the motion, "That the evidence before this committee be submitted to a firm of railway engineers and accountants of high standing, free from all interest in either railway system." This is a specialty with some engineers. We speak of a firm of railway engineers and accountants of high standing. Well, I do not know of any such firm that is not associated with one or other of the two railways. I took it for granted that the qualification "free from all interest in either railway system," implied that we had to go outside our own country to find absolutely independent railway engineers and accountants, to make sure they would look at things objectively, and not be influenced by the local Canadian atmosphere.

That being the case, I submit there is one question that dominates the whole problem. It is for this committee to decide, and it may as well decide it now whether, as is implied, it would envisage unification of the railways if certain that large savings would result. Before we come to that conclusion, the Parliament of Canada, represented more especially by the House of Commons, would have to change its policy and its views on this question.

Hon. Mr. ROBINSON: Mr. Chairman, I do not think we shall get anywhere on an investigation such as is proposed. I have a very high opinion of the capacities of this committee. We speak of bringing high-class engineers from somewhere to give us a report on a question of this kind. Well, I do not care how high-class they may be or where they may come from, I do not believe there is a man on this committee who is not better able to size up the situation than any such high-class engineers. After all, they can only make some mathematical calculations and give their views. They cannot possibly know very much about local conditions or the reasons why these railways operate at a

loss in certain sections. The futility of a report such as that suggested is in my mind confirmed by what happened to the report which the Duff Commission obtained from an eminent statistician. No attention whatever was paid to it.

Hon. Mr. HAIG: Was not that report just on the system of accounting?

Hon. Mr. ROBINSON: Accounting is one of the things mentioned in this motion.

Hon. Mr. CALDER: It has no reference to the point at issue here, none at all.

Hon. Mr. ROBINSON: I think I can give just as good an opinion and size up the situation just as well as any engineer you may bring here; and I believe every other member of the committee could do the same. We know local conditions better than any outsiders could know them, even if they studied the question for a year.

Supposing another government were in power and as a matter of policy said they could not make an appropriation for such an investigation as this, if I were a member of a similar committee to this I would be respectful enough to say, "I will not press the question. The Government have declared their policy in relation to it." If we press this motion we shall not get anywhere, it will only be regarded as fault-finding of the Government.

Hon. Mr. CALDER: Mr. Chairman, I must say I am disappointed. I probably take a different view from the majority of the members of this committee. This is not in a sense an immediate question. So far as I am concerned, I am not interested at all in the attitude which the Government of the day or the Opposition of the day take in regard to this question; not at all. This question will be before us for many years to come. We have ample evidence to indicate that the railway as a transportation facility is on the down-grade rapidly, and if not to-day, then some day in the not very distant future, the people of Canada must face this question seriously.

My only object in supporting the idea advanced by Senator Meighen is that we owe a duty to the people of Canada to place them in possession of certain facts upon which they can base a judgment as to what could be done in this situation. That is the main question before this committee. We have a duty, not to Parliament, not to the Government of the day, not to the leader of the Opposition, but a clear, definite duty to the people of Canada.

Righ Hon. Mr. MEIGHEN: Hear, hear.

Hon. Mr. CALDER: That duty is to put them in possession of certain facts. I would not for one moment ask any such body of experts as would be appointed under this motion to tell the people of Canada what our policy should be. I would not ask them to recommend to us either unification or co-operation or anything else. I support this motion solely for the purpose that the people of Canada may have before them the facts.

What is the situation? Will any member of this committee tell me that in his opinion he does not believe that large economies could be effected through a system of unification? When you consider the facts at the present time with regard to the handling of freight, the possibilities of rerouting traffic, the many duplications of all kinds of services, stations, terminals, shops, express and telegraph, and overhead in management and offices the world over, will anybody tell me that large economies could not be effected under unification? I do not care what the figures are, I am sure that every member of this committee is convinced of the fact that enormous savings could be made if these two railways were operated under one management. There can be no question about that in the mind of anybody.

As Mr. Meighen asked, what was this committee formed for? What is your duty? After two years of hard work struggling with a mass of evidence, are we simply going to say, "Well, the Government of the day takes this

view, the leader of the Opposition takes this view, and we should not disturb that situation, we should merely report the facts and do nothing." For that is what it means so far as our committee is concerned.

Hon. Mr. DANDURAND: But are you ready to reach a conclusion and say, "We suggest unification or continued co-operation"?

Hon. Mr. CALDER: My honourable friend will probably force me into that position by his attitude. I must take the evidence that is now before us. What have we laboured here for? I may not want to be forced into that position, but I may be.

Hon. Mr. DANDURAND: But you stated you were incapable of reaching any conclusion.

Hon. Mr. CALDER: Yes, I was capable of reaching a final, definite conclusion of the facts, because the facts are not known.

Now, I have just said what I said last June: Are you not satisfied in your own minds that if there was joint operation of these two railway systems large savings would be effected? I ask that question of every member of this committee.

Hon. Mr. DANDURAND: I will answer. I believe that savings could be more easily effected under unification or amalgamation.

Hon. Mr. CALDER: And larger.

Hon. Mr. DANDURAND: I do not know to what extent that would be so in comparison to what would be accomplished by the two railways coming together and doing it. But I admit—

Hon. Mr. CALDER: Will my honourable friend allow me to submit the figures? There is a difference in the figures that I should like to see brought together. The C.P.R. have said there would be savings to the extent of \$75,000,000.

Hon. Mr. DANDURAND: They have dropped that figure.

Hon. Mr. CALDER: They have dropped that figure down to \$59,000,000.

Right Hon. Mr. MEIGHEN: Because the year is changed.

Hon. Mr. CALDER: That is all, because certain savings have already been made. But what is the attitude of the C.N.R. on that point?

Hon. Mr. DANDURAND: The answer is given by President Hungerford, that the savings cannot go beyond \$10,000,000 or \$15,000,000. That is the C.N.R. statement as to the practical application of the question of savings when they come down to realities.

Hon. Mr. GORDON: Mr. Chairman, I am not a member of this committee and am therefore a little diffident about asking a question.

Hon. Mr. CALDER: Pardon me, Senator Gordon. I wish to conclude my remarks. I simply repeat that I regret exceedingly the Government have not seen their way clear to call in the necessary experts, who would not again make a physical examination of all the properties.

Hon. Mr. DANDURAND: The motion says so.

Right Hon. Mr. MEIGHEN: It does not say that at all.

Hon. Mr. CALDER: I do not accept the honourable gentleman's view in that respect. As I see it, all that the resolution asks is that experts should be called in to reconcile the two sets of figures that have been placed before us.

Right Hon. Mr. MEIGHEN: That is it.

Hon. Mr. CALDER: For example, an estimate is made by one of the railway companies that so many millions of dollars would be saved on the rerouting of traffic. How is that estimate made up? The other company says that there would not be so much money saved on that item, and they give

their estimate. How is that estimate made up? The discussions would proceed until a sound basis was reached, and then we should have a final figure. The same procedure would be taken with regard to all the other estimates, and finally there would be an accurate picture of the possible savings through the bringing together of the two railway systems. In my judgment that is exactly what the people of Canada want. They want facts upon which they can pass judgment as to what shall be done with these railways, not now, but possibly at some time in the not distant future.

Hon. Mr. MURDOCK: The honourable senator who has just spoken asked two or three times a very pointed question, and I should not think that I, as one member of this Committee, was doing my duty if I did not answer that question, according to my own judgment. He asked: What was this Committee formed for? What was its purpose? I have held an opinion ever since the Committee was formed last year; I have seen nothing to change it, though I know certain honourable gentlemen will say it is faulty and not correct. In my judgment this Committee was conceived, originated and formed in the minds of certain individuals for the express and only purpose of bringing about a unified management of the Canadian railways. And in my judgment certain distinguished members of this Committee have had no other object in view from the start up to this moment. Let us see the motion we are dealing with. This motion would appoint a firm of engineers, for what? To " . . . make such physical examinations as it may deem necessary with a view to making full report to this Committee as to what in the judgment of this firm would be the amount of savings which could be effected by a system of unified management . . . " We started in last session, when this Committee was appointed, with the express purpose and desire, in my humble judgment, on the part of some, to bring about unified management. And this motion contemplates nothing more or less. I am sure many honourable gentlemen will disagree with that view. But Senator Calder asked the question, not once but several times, and in such a pointed way that I think I should not be doing my duty if I did not say what I believe was the reason for the appointment of the Committee.

Hon. Mr. CALDER: But my honourable friend must realize that our whole difficulty has resulted from a series of figures that have been placed before us as estimated savings possible under a system of unified management. The Committee started off last session by inquiring into how the Canadian Pacific made up its estimate, and the great bulk of our work has been in that connection. The net result of it all is that we have two sets of figures that are not similar, each set presented by a company which maintains its position very strongly. Surely no objection could be made to an effort to reconcile these figures. The object would be to get from experts a recommendation in favour of unification, or any recommendation as to what should be done—

Hon. Mr. MURDOCK: You are mistaken. Do not tell me I cannot read. Here is the language: ". . . what in the judgment of such firm would be the amount of savings which could be effected by a system of unified management . . ." Unified management has been the desire first, last, and all the time; and that is the desire expressed in this motion.

Hon. Mr. HAIG: Mr. Chairman, \$54,000,000 was lost this year on the operating of a railroad. That is a ghastly fact, which stares us right in the eye. That amount is more than one-third of all the income taxes paid in Canada last year; it is larger than all the personal income taxes paid last year.

Hon. Mr. MURDOCK: How much did we spend for wheat?

Hon. Mr. HAIG: I shall come to that later, if we want to discuss it. Our problem is how to avoid such heavy losses on railroad operation. The Canadian Pacific came forward and suggested to us that on the basis of 1930 figures

savings of \$75,000,000 could be made. The leader of the Government in the Senate (Hon. Mr. Dandurand) suggested that we call Canadian Pacific officials to substantiate that statement. It was quite proper for him to do so, and I supported him in that. We called Canadian Pacific officials and they gave their various estimates for this and that, upon the basis of the 1930 business. Their estimate based upon 1937 business is \$52,000,000, or, including abandonment of lines, \$59,000,000. But Canadian National officials disagree with those estimates, and they have submitted figures of their own. Well, which figures are right? I do not know. From a political standpoint I cannot understand the Government's refusal to accept this motion. The matter is going to be an election issue, just as sure as to-morrow's sun rises. The people of this country are greatly disturbed over the fact that every dollar they pay in personal income tax is required to meet deficits on one railway. There are 245 members in one House of Parliament and 96 in the other, but so far Parliament has not been able to find a solution to the problem. The Herridges, the Tim Bucks and the McCullaghs are going up and down the country saying that Parliament is unable to do anything in this situation.

The honourable leader, Senator Dandurand, says that savings can be made by co-operation. Well, the railways have been trying to co-operate, but so far they have been able to save only \$861,000. Even if all their proposals were allowed by the Board of Transport Commissioners, the savings would be less than \$2,000,000.

As I have said, the Canadian Pacific presented their estimate of savings and the Canadian National presented theirs. Each company believe their own figures are right. But both cannot be right. Yet, the Government refuse a motion to employ a firm of experts to check the figures and see which are right, or nearer to being right. Suppose after making a study the experts reported that the total savings possible under unification would be \$10,000,000. Then, I should say that unification was not worth while. But if they reported possible savings of \$45,000,000, I should say that was worth serious consideration, especially in view of the Government's Bill to compensate men who lose their positions by reason of unification.

Hon. Mr. DANDURAND: By reason of co-operation.

Hon. Mr. HAIG: That Bill has passed the Senate and gone to committee. The railway men said, "It is all right for Sir Edward Beatty to say that men who lost their jobs would be protected, but we do not know to what extent." And now we have a Bill setting out the Government's proposed basis of compensation. I spoke in favour of the Bill and voted for it, but I am not an expert on the matter and cannot tell whether the basis is a fair one or not. But apparently it is. At least, the Government thinks it is. However, representatives of the employees will appear before the Committee and say what they think.

I appeal to the leader of the Government to accept the motion. He could name the experts—there would be no trouble about that—and they would bring in a report as to possible savings. Then we, with that report before us, could decide what we think should be done.

I agree entirely with Senator Meighen as to our position. The Senate does not propose to lead either the Liberal party or the Conservative party, and the public does not expect it to. They expect the leadership of these two great parties to remain with members of the House of Commons. But on an issue like this the people do want us, who do not have to be guided by political considerations, to say what in our judgment should be done. The honourable leader says that the King Government is opposed to unification, and that the Conservative party, as led by Dr. Manion, is also opposed to it. That is all true enough, but I as a senator am not bound to follow Mr. King or Dr. Manion. The people do not expect me to follow either of those gentlemen. They expect me to express my frank opinion as to what should be done, and they will evaluate that opinion

themselves. I agree with Senator Meighen that the Senate is not worth the paper on which was written the British North America Act that established it, if we cannot take a stand on an issue of such tremendous importance to the people of the country such as this issue is.

Hon. Mr. MURDOCK: May I ask my honourable friend a question? If we adopted this motion should we not thereby be voting for unified management, in the event that the firm of experts reported that \$45,000,000 could be saved by unification?

Hon. Mr. HAIG: No.

Hon. Mr. MURDOCK: There is only one thing that we are asked to deal with in this motion.

Hon. Mr. HAIG: The people of this country have heard Sir Edward Beatty's statement that \$75,000,000 could be saved by unification, on the basis of 1930 figures, or \$59,000,000 on the basis of 1937 figures, and they have also heard the Canadian National's estimate of \$15,000,000 possible savings. But they do not know which estimate is right. We ought to be in a position to say to the people: After having gone into the evidence we find that savings of \$20,000,000 or \$30,000,000 or \$40,000,000, as the case may be, are possible under unification. Then it would be for the Government of the country to say, if they so desired, that in the light of these figures, and considering that employees who lost their jobs through unification would be compensated, a policy of unification would be adopted. However, we would not be bound by the report of the experts.

Hon. Mr. MURDOCK: Oh, yes.

Hon. Mr. HAIG: No.

Right Hon. Mr. MEIGHEN: They are very much afraid of what the report would be.

Hon. Mr. HAIG: Two estimates of possible savings have been made. Which is right? I challenge you to tell me which is right. You say \$10,000,000 because you believe the C.N.R. witnesses. I may say \$59,000,000 because I believe the C.P.R. witnesses. We are a jury, and there is the evidence. If I were sitting on the Bench and trying this case, I would say, "These experts say this, and those experts say that. I will call in an engineer-accountant to go over the figures and report to me which body of experts is correct." Then we shall be in a position to act.

Hon. Mr. HORSEY: The Board of Railway Commissioners have disagreed with both companies when they had agreed on certain measures.

Hon. Mr. HAIG: That is only on unification. If the railway engineers and accountants reported to us that a saving of \$45,000,000 could be effected by unification, I don't care what this committee might report, the country would adopt unification. Make no mistake about that. Trucks, buses and automobiles are a challenge to the railways and, as Senator McRae and Senator Calder have said, when the traffic is going down hill we ought to realize that the people of this country want results. We cannot have these heavy deficits and carry on. We have hundreds of thousands of young men and women without jobs simply because nobody will put his money into business in face of the present load of taxation. That is the only issue.

Hon. Mr. MURDOCK: This motion tells us to unify the railways if we can save enough money, according to your argument.

Hon. Mr. HAIG: No, it does not. It just says that after the proposed investigation if it is shown we could save so much, and we are given authoritative figures, then if you think those figures justify unification, well and good; if not, you don't need to accept the report.

Hon. Mr. DANDURAND: Their report could at best be nothing more than theoretical, because those engineers would not pledge themselves as to the accuracy of the figures. But even if they did so pledge themselves, would we

accept their assurance that practically those savings could be effected? We have the experience of the affirmation by the Canadian Pacific that 2,500 miles of railway could be abandoned with resultant savings, but they fell down miserably in that figure, for when it came to realization it was reduced to one-third.

But suppose that theoretically these experts said, "Well, we believe there could be savings of \$45,000,000—

Right Hon. Mr. MEIGHEN: What do you mean by "theoretical"?

Hon. Mr. DANDURAND: That is, looking at the figures and saying, "Well, we think there could be savings of such and such amount."

Right Hon. Mr. MEIGHEN: There is nothing theoretical about it. Their business is to find out what practically could be saved.

Hon. Mr. DANDURAND: Yes, practically. But when you come to the practical you encounter the fixed policy of the Government and of Parliament as to what is the proper thing to do in the interests of Canada.

Right Hon. Mr. MEIGHEN: The only person who talked about theoretical savings was Mr. Fairweather, and that damaged his evidence for me quite a lot.

Hon. Mr. MURDOCK: No sensible man could deal with these figures in any other way.

Hon. Mr. DANDURAND: I put this question to Senator Haig: Suppose they say a saving of \$45,000,000 could be effected. You say on that conclusion the people would accept the idea that we should adopt unified management. Now, if the people were consulted, would they accept unified management or amalgamation under private management or under state ownership?

Hon. Mr. HAIG: I never said that. Personally, I think they would want a board that would be as fair to Parliament and the people of Canada as this is. That is all.

Hon. Mr. MURDOCK: But they have only one thing to consider, and that is unified management.

Hon. Mr. HAIG: No.

Hon. Mr. MURDOCK: That is what this says.

Right Hon. Mr. MEIGHEN: Read it.

Hon. Mr. HAIG: My honourable friend the leader of the Government does not suggest any solution but co-ordination. I would be definitely opposed to co-ordination if I were a man on the road.

Hon. Mr. DANDURAND: Co-operation.

Hon. Mr. HAIG: Co-operation; I should, as a railroad man, be opposed to co-operation, because I can think of nothing worse for every railway worker, from the official at the top to the pick and shovel man on the tracks, for any minute he may be laid off; but under unification they would know exactly what would happen.

Hon. Mr. DANDURAND: How?

Hon. Mr. HAIG: Because they would be in control of the road. But, Mr. Chairman, the point I make is this. The people of this country want something that will be satisfactory to those who work on the railway and to the country, and that will not cost \$54,000,000—that is, if it can be found.

Hon. Mr. DANDURAND: Dr. Manion yesterday through the press, which I read this morning, said that he could not see the solution of the difficulty of removing that \$50,000,000 deficit. He was Minister of Railways for five years.

Hon. Mr. HAIG: I admit that. But because Dr. Manion or Mr. King says something, surely that does not bind us as individual members of this committee. We should try to help solve the problem for the people of Canada. That is all I am asking. I have very great respect for Dr. Manion. Indeed, there is

no one in public life for whom I have greater esteem. However, he, like the rest of us, may sometimes be wrong. And he may be right. I cannot tell, I have nothing to go on. All I want by that motion is to get the facts.

Hon. Mr. DANDURAND: Knowing the situation as my honourable friend does throughout the two systems, if the country feels that in the general interest we should stand a deficit of \$25,000,000 a year, and maintain the railways to serve the public and develop the country, do you think the country will not be disposed to stand that expenditure of \$25,000,000 to maintain that service as it maintains canals and some other public services?

Hon. Mr. HAIG: I cannot tell what the country will do. I only want to know the facts.

Hon. Mr. DANDURAND: I am speaking to the honourable gentleman himself.

Hon. Mr. HAIG: I am sure if we could save \$45,000,000 by unification, providing, as I said before—

Hon. Mr. HORSEY: Without hurting the public interest?

Hon. Mr. HAIG: Without hurting the public interest, and without affecting the men engaged on the road, I should be in favour of saving the \$45,000,000. If it came down to \$10,000,000 I don't think I would be in favour of unified management. Unless the saving was substantial I would not be in favour of unified management, but if it was substantial I would be in favour of such management, subject to the proviso mentioned by the senator from Prince Edward (Hon. Mr. Horsey). But that is for us to decide after we get authoritative figures. All we have at present are the figures of \$59,000,000 of the C.P.R. and \$10,000,000 of the C.N.R. Between the two I don't know which is right. If I believe Mr. Fairweather, the savings would be only \$10,000,000; if I believe Mr. Coleman, the savings would be as much as \$59,000,000.

Hon. Mr. MURDOCK: Both sets of figures are theoretical.

Hon. Mr. HAIG: No.

Hon. Mr. MURDOCK: Oh, yes, they cannot be anything else.

Hon. Mr. HAIG: I cannot understand why the leader of the Government does not grant the request.

Hon. Mr. BLACK: I think we are just wasting time. Why not decide whether or not we will accept the resolution? The attitude of one group here is that we shall not have any opportunity of getting at the facts. We know that. We may talk here until doomsday and we shall be no further ahead.

Hon. Mr. SINCLAIR: As to finding the facts, it seems to me that the only way of getting at the facts is by a physical examination of the two roads. If we go into an inquiry of that kind, where are we going to land? The proposal is to appoint a firm of railway engineers and accountants of high standing who are not interested in any railways in Canada, and to ask them to make such physical examination.

Right Hon. Mr. MEIGHEN: Read the whole motion.

Hon. Mr. SINCLAIR: I will. "That the evidence before this committee be submitted to a firm of railway engineers and accountants of high standing, free from all interest in either railway system"—that pretty nearly puts us out of our own country—"to the end that such firm may study said evidence,"—

Right Hon. Mr. MEIGHEN: Hear, hear.

Hon. Mr. SINCLAIR:—"and especially its practical railway engineering and accounting features, and make such physical examinations as it may deem necessary"—If they have not the facts how are they going to arrive at them without a physical examination?

Right Hon. Mr. MEIGHEN: Only "with a view"—

Hon. Mr. SINCLAIR: —“to making full report to this committee”—

Right Hon. Mr. MEIGHEN: Go on.

Hon. Mr. SINCLAIR: —“as to what in the judgment of such firm would be the amount of savings which could be effected by a system of unified management.”

Right Hon. Mr. MEIGHEN: Only for that purpose.

Hon. Mr. SINCLAIR: The motion goes further than that. It says, “and whether and to what extent, if any, such savings would entail impairment of service to the Canadian people.” We are going to ask accountants of high standing in another country on their honour—“in the judgment of such firm”—to say what services shall be given to the Canadian people by their railway systems.

Right Hon. Mr. MEIGHEN: Oh, not at all.

Hon. Mr. SINCLAIR: Then what does that last sentence mean, if it does not mean that? As I see it, by the motion we are embarking on another broad inquiry that will cost more than \$100,000, for we shall have to go outside our own country to get the experts. If we go to Great Britain their experts will probably give us their services at a moderate rate, as those who have helped us on other inquiries have treated Canada very fairly. But if we go to the country to the south we may have to pay anything from \$15,000 to \$50,000 for the services of experts. An inquiry like that will be of greater magnitude than any inquiry we have ever had into our railways. I do not think any reputable firm would undertake to give the opinions that are asked for here without making a full inquiry and a physical examination of the two railways. They would have to do that before they could give what in their judgment would be the savings to be effected by unified management. If they act on the last sentence and tell us what railway services we shall have, then there would be resentment throughout this country.

Right Hon. Mr. MEIGHEN: That is just a statement.

Hon. Mr. GORDON: I am not a railroad man and do not know much about the business, but one has only to exercise a little common sense to see what is going on every day and what loss is being incurred by the railways carrying freight thousands of miles for nothing because their freight rate is always based on the shorter haul. There is no doubt that millions of dollars could be saved every year by arranging that all freight be hauled over the shorter route. Why not bring in experts who could tell us what savings could be effected under such an arrangement?

Hon. Mr. CALDER: We have had that evidence, and it illustrates non-necessity of a physical examination of the road. It has been represented to us by experts of the Canadian Pacific and the Canadian National that large savings could be made, but they do not agree on their figures. What we want is somebody to examine, not the physical aspects of the roads, but the estimates of savings, and to ascertain how they were arrived at, and to reconcile them.

The CHAIRMAN (Hon. Mr. Beaubien): Are you ready for the question, Gentlemen?

The CHAIRMAN (Right Hon. Mr. Graham): What is the question?

The CHAIRMAN (Hon. Mr. Beaubien): Do you want the motion read again?

Some Hon. SENATORS: No.

The motion was then negatived, on the following vote, by a show of hands: for, five, against, seven.

Hon. Mr. JONES: Mr. Chairman, I was paired with Senator Robinson, who was called out from the Committee. Otherwise, I should have voted for the motion.

The CHAIRMAN (Hon. Mr. Beaubien): Gentlemen, there are other people who want to be heard. I am not sure whether it was decided at our last meeting that we had concluded the hearing of evidence.

Hon. Mr. DANDURAND: The Chairmen have been handed a statement of the Canadian National's position as to the evidence. The statement is a short one, which I read this morning, and I could summarize it—

Hon. Mr. HAIG: Why not file it?

Hon. Mr. DANDURAND: Then we will will file the Canadian National's statement?

Right Hon. Mr. MEIGHEN: The Committee decided to receive a reply to a reply.

The CHAIRMAN (Hon. Mr. Beaubien): Is it your desire that the rebuttal—

Right Hon. Mr. MEIGHEN: The sur-rebuttal.

The CHAIRMAN (Hon. Mr. Beaubien):—that the sur-rebuttal be filed?

Hon. Mr. DANDURAND: I do not call it a sur-rebuttal. It will go in as if it were read?

Mr. BIGGAR: It will not be an exhibit, then.

Right Hon. Mr. MEIGHEN: Is the Canadian Pacific's reply in as evidence?

The CHAIRMAN (Hon. Mr. Beaubien): Yes.

Right Hon. Mr. MEIGHEN: Then, all right.

The following is the statement presented by the Canadian National Railways:

MONTREAL, May 3, 1939.

The Right Hon. George P. GRAHAM,
The Honourable C. P. BEAUBIEN, K.C.,
Joint Chairmen,
Special Railway Committee of the Senate,
Ottawa, Ont.

HONOURABLE SIRS,—As requested. I have had the memorandum submitted by the Canadian Pacific Railway in rebuttal of the evidence given at the request of the committee by officers of the Canadian National Railways in criticism of the Canadian Pacific \$75,000,000 estimate reviewed by the Canadian National officers who gave evidence. I am advised by these officers that the memorandum contains no information which would lead them to change the force and effect of the evidence which they submitted upon the \$75,000,000 C.P.R. estimate. These officers advise me that within the field of their respective competencies they still consider the estimate submitted by the Canadian Pacific Railway to be unsound and largely impracticable of accomplishment. With this conclusion I find myself unqualifiedly in agreement.

The tenor of the evidence submitted by the Canadian National officers was to show the vast difference which exists between theoretical estimates of savings and what might be accomplished in a practical sense. In my own submission to the committee I stated that the substantial savings envisaged in the \$75,000,000 estimate could never emerge. I hold the same view with regard to the Canadian Pacific estimate of \$59,740,000 under 1937 conditions. In my judgment, based upon extensive experience in consolidation of railway properties, it is entirely fallacious to look to savings of such proportions as being possible of attainment.

I do not think that any good purpose would be served by replying in detail to the Canadian Pacific memorandum in rebuttal of evidence of C.N.R. officers because such reply, in the absence of a disclosure by the Canadian Pacific of

the physical changes contemplated in their plan, would be of little value in testing the validity of C.P.R. assumptions as to the reduction in quantity and quality of railway services, abandonment of railway terminals, shops, engine houses, etc., and would add nothing to the evidence already submitted. The refusal by the Canadian Pacific Railway to disclose what is contemplated in this regard reduces discussion to statistical conjectures with regard to unknown contemplated changes. The test of the value of the \$75,000,000 estimate is not primarily a question of figures, but is one of the practicability of what is proposed to be done.

The \$75,000,000 estimate was submitted to the Royal Commission on Transportation in 1931 and the evidence before the commission clearly indicates that a program for the abandonment of 5,000 miles was submitted by the Canadian Pacific Railway and was held by it to be of prime importance. The commission was informed by the C.P.R. that the economies from such a program would be \$16,366,000 a year. The practicability of this program of line abandonments and of the economies resulting therefrom was examined in detail by the special Senate committee last year and I do not think it is overstating the case to say that if any one thing was clearly demonstrated, it was that line abandonments of this order are totally impracticable. The conclusion is inescapable that the same degree of impracticability would be found to apply to much else of what was proposed to be done by the Canadian Pacific Railway if its details were known. Evidently these measures are of a drastic nature since the reason given by the C.P.R. officers for refusing to disclose them is that such action would be opposed to the interests of the Canadian Pacific Railway due to the anticipated resentment of the communities affected.

I note the Canadian Pacific memorandum in rebuttal, in various places alludes to a Canadian National estimate of savings from unification as having been made to the Royal Commission on Transportation, and figures therefrom are used by the C.P.R. to support the estimate of \$75,000,000. It has been pointed out in evidence before the Senate committee that the Canadian National Railways never submitted such an estimate to the Royal Commission but that Mr. S. W. Fairweather, at the request of the Royal Commission, made available to it a theoretical estimate in which was incorporated clearly stated qualifications that much of what was discussed therein was impracticable of accomplishment. The comparison of the Canadian Pacific estimate with figures taken from an estimate bearing such qualifications can add nothing to the validity of the Canadian Pacific evidence. Rather it would indicate that the same criticism of impracticability applies to the Canadian Pacific estimate but with even greater force because of the more drastic nature of the Canadian Pacific proposal as evidenced from its larger dimensions.

As I have already stated to the committee, the Canadian Pacific estimate can be divided into two broad classifications: In one the estimated savings are based upon drastic reductions in the quantity and quality of railway service, typified by abandonment of lines, closing of terminals, railway shops, engine houses, etc., and a reduction of railway service both in quantity and quality to suit the requirements of railway economy without consideration of the practicability of these measures. The Canadian Pacific memorandum in rebuttal denies the force of this criticism in general terms, but if the denial is to be taken as having any weight, why should the Canadian Pacific continue in a refusal to disclose the physical details of just what is contemplated? If, as stated by the C.P.R., the proposals will mean improved service at less cost, why should not the communities affected be told what is contemplated? It would then be possible to judge whether the opinion of the Canadian Pacific officers as to what constitutes adequate service to the country would be in accord with the views of industry and of the communities affected.

In the other broad classification of the \$75,000,000 estimate the estimated savings arise from applying Canadian Pacific unit costs to Canadian National operations which is also fallacious. The Canadian Pacific statement in rebuttal, namely, that Canadian Pacific costs "were not applied to Canadian National operations but to a new unified system" is simply a play upon words because conditions do not change with names and the problems of operation which confront the Canadian National Railways would likewise confront a unified operation to the extent that Canadian National properties were included. It is possible, of course, that the Canadian Pacific Railway estimate is based upon drastic reductions in the quality and quantity of service carried on by the Canadian National as a public service although necessarily conducted at a loss.

The statement contained in the rebuttal that the differences in the physical characteristics, traffic and operating problems between the two systems "are compensating or in total are unimportant," will not carry conviction to anyone who has a knowledge of the historical development of the Canadian National and of the special problems which confront it in rendering pioneering and national transportation service to much of Canada, and but serves to demonstrate the general unsoundness of the Canadian Pacific estimate.

I have expressed my views as to the unsoundness, inaccuracy and impracticability of the Canadian Pacific estimate. I also desire to express my profound conviction that an attempted solution of the railway problem based upon an expectation of the realizability of savings of this magnitude would be doomed to failure because savings of anything approaching these figures can not be obtained if due regard is had to consideration of public interest, which is the final and conclusive test of practicability and is the test applied by public authority before consent is given to line abandonments or to the degradation of services to the public. Another important factor as affecting public interest is the undoubted fact that drastic reductions in railway service carries with it drastic reductions in railway payrolls. Inasmuch as 60 per cent of railway operating expenses are for direct labour, at least 40 millions of dollars in the estimate of \$75,000,000 would be represented by reductions in payrolls, which, accompanying the drastic reduction in service, would further adversely affect the communities. Public interest can never be reduced to the confines of an estimate prepared by railway technicians however expert they may be but, on the contrary, must necessarily be determined by public authority. I again allude to the refusal of the Canadian Pacific Railway to tell the Committee and the country just what is contemplated to be done as affecting specific communities and specific services. I am satisfied that such an exposure would demonstrate the same impracticability as was so clearly demonstrated in the case of the Canadian Pacific program of line abandonments, which was put to the forefront of the private C.P.R. submission to the Royal Commission on Transportation, but which, after the expressions of disapproval which followed its exposure before the Senate Committee, has now been set aside as a serious proposal.

While I think that no good purpose would be served by a further discussion of the Canadian Pacific estimate in the absence of disclosures of just what is contemplated, the officers of the Canadian National are available to the Committee for the purpose of giving evidence should this be desired.

Yours faithfully,

(Signed) S. J. HUNGERFORD,
President.

Mr. BIGGAR: There is a memorandum from Professor McDougall, answering the evidence given by Mr. Chase. Professor McDougall indicates certain mistakes that there were, as he admits, in his deductions from the material before him, and he submits a number of tables of figures, and charts showing curves with respect to certain kinds of expenditures, and so on.

Hon. Mr. HAIG: File it.

Hon. Mr. BLACK: I think it should be accepted and filed.

Hon. Mr. HORSEY: Is it very lengthy?

Mr. BIGGAR: No; it is just six pages.

Hon. Mr. McRAE: Put it in the proceedings.

Statement from Professor McDougall was filed and marked Exhibit 105.

Mr. BIGGAR: Then there is a letter from Mr. Percy E. Nobbs, of Nobbs and Hyde, architects, of Montreal, asking to be heard. He does not say in his letter, which is addressed to Senator Beaubien, upon what point he would like to be heard, but Senator Beaubien tells me—

The CHAIRMAN (Hon. Mr. Beaubien): I understand it is the Montreal terminal.

Hon. Mr. DANDURAND: Then it goes by the board.

The CHAIRMAN (Hon. Mr. Beaubien): Gentlemen, Mr. Nobbs wants to be heard on the Montreal terminal.

Hon. Mr. DANDURAND: There is a ruling on that.

The CHAIRMAN (Hon. Mr. Beaubien): Shall we turn the request down?

The CHAIRMAN (Right Hon. Mr. Graham): I thought we decided the other night to turn down such requests.

Mr. BIGGAR: The same course will presumably be taken with respect to a request, also addressed to Senator Beaubien, from La Ligue des Propriétaires de l'Est, Montreal. The letter is signed by Mr. Roland Langlois, on behalf of that league, and contains a request for a hearing on the same subject.

The CHAIRMAN (Hon. Mr. Beaubien): Gentlemen, the same ruling?

Hon. Mr. DANDURAND: The same ruling.

The CHAIRMAN (Hon. Mr. Beaubien): Shall we decide to hear no more evidence? I think that is the only fair course. That would apply to everybody. Is that satisfactory to the Committee?

Some Hon. SENATORS: Carried.

Right Hon. Mr. MEIGHEN: I am informed that counsel to the Committee has made a summary of the evidence. He has not told me, but another member has. If so, it certainly should be made available to all of us.

Hon. Mr. DANDURAND: The situation is of a somewhat delicate nature. Counsel for the Committee prepared a statement indicating the effect of the evidence given by the various witnesses who have appeared before the Committee. It was sent confidentially as a first draft, to the Canadian Pacific Railway and to the Canadian National Railways, as well as to the Chairmen and Right Hon. Senator Meighen and myself. The railways were asked to give their views as to the correctness of the statement. I doubt if they have yet agreed as to the draft—

Right Hon. Mr. MEIGHEN: I do not care if they have agreed or not.

Hon. Mr. DANDURAND: But, remember, this was a first draft. I do not know whether the final draft has been made, but if it has I should like to know whether it has been submitted to the railways.

Right Hon. Mr. MEIGHEN: I do not care if it meets with the endorsement of either railway. I have enough confidence in Mr. Biggar to value his summary of the evidence, with references, to know that it would be of use to me. I have

enough confidence in him to depend upon his summary of evidence, without having it O.K.'d by Mr. Fairweather or Mr. Flintoft, or whoever would act for the two railways.

Hon. Mr. DANDURAND: But I draw my right honourable friend's attention to the fact that Mr. Biggar deemed it his duty to submit a confidential draft to the two railways. I do not know what his final draft is. Since he has come into contact with the two railways on the matter, I should like to be assured that the final draft has been submitted to the two railways, if Mr. Biggar feels that should be done. And if it has been submitted he can come back to this Committee at its next meeting and make a statement to that effect. I do not know if he has made any corrections in his first draft—

Mr. BIGGAR: I have corrected it, yes.

Hon. Mr. DANDURAND: Then I should like him to have an opportunity of meeting the two railways, with whom he has been in contact, and finding out if they agree on the statement that he has prepared.

Hon. Mr. BLACK: That does not mean, I hope, that the evidence is to be changed to suit the railways.

Hon. Mr. DANDURAND: Certainly not.

The CHAIRMAN (Hon. Mr. Beaubien): May I say a word in explanation of the summary that has been made by Mr. Biggar? I think it will be extremely useful. It is a key to the very lengthy evidence that we have taken. As you know, the evidence runs into a good many hundred pages. Mr. Biggar has gone to the trouble of analysing the evidence of the various witnesses and stating the effect of it in a few words, and he gives references to the pages containing the evidence in full. Whether you are on one side of the case or the other, so to speak, this summary will be of great use to you. I have a copy, and I think every other member of the Committee should have one. I am saying this so that you may be able to decide whether you want to be deprived of it or not.

Hon. Mr. DANDURAND: Nobody suggests that the Committee be deprived of it. The question is simply when Mr. Biggar will be in a position to submit his statement, after having been in contact with the two railways.

The CHAIRMAN (Hon. Mr. Beaubien): Perhaps Mr. Biggar can give us an answer right away to the question put by the honourable leader of the Senate.

Mr. BIGGAR: I can explain the position quite shortly, I think. The evidence is very complicated. There are an enormous number of facts, and I tried to arrange them in an intelligible sequence, with references to where the points are dealt with in the evidence. Naturally I had no confidence that I had overlooked nothing, and accordingly I submitted the brief to both railways. I got suggestions from both of them as to corrections that were required. The Canadian National took the view that the colour of the statement was not such as to convey the right impression. I think I can put it fairly, probably, in this way, that the Canadian National's main view was that this whole edifice of figures put forward by the Canadian Pacific was an imaginary edifice, that the figures were all illusory.

Right Hon. Mr. MEIGHEN: And wanted you so to report?

Mr. BIGGAR: No. I think that would be putting it a little unfairly.

Right Hon. Mr. MEIGHEN: The point is, they complained.

Mr. BIGGAR: That that would colour, as it were, the whole presentation, and that to take successive figures, of which there were a great number, and to say that the evidence with regard to a certain figure was so and so, on one side, and such and such, on the other, gave it a reality and body which basically it had not. I hope I have made myself intelligible.

Right Hon. Mr. MEIGHEN: Just as intelligible as the idea itself.

Mr. BIGGAR: It is on that account that I hesitated to go any further with it. It was really intended to be expository, not as argument.

Right Hon. Mr. MEIGHEN: That is all it should be.

Hon. Mr. McRAE: It seems to me that Mr. Biggar's summary will be very important, indeed, almost essential. He has the full confidence of the committee and the matter can be safely left to his judgment. I would suggest that when ready the summary be printed and distributed the same as are the minutes of our proceedings. A number of people throughout the country are following this question very closely, and they complain they are lost in the maze of evidence, and are anxious to get a reference to the important points in which they are interested, without having to go through the entire proceedings.

Hon. Mr. DANDURAND: Then we will leave that in the hands of Mr. Biggar.

The CHAIRMAN (Hon. Mr. Beaubien): When can we have that?

Mr. BIGGAR: The beginning of next week.

The CHAIRMAN (Hon. Mr. Beaubien): Is that decided?

Some Hon. MEMBERS: Carried.

Hon. Mr. DANDURAND: We have closed our evidence. When shall we meet to discuss the possibility of a report to the Senate?

Right Hon. Mr. MEIGHEN: We shall have to meet to review what should be the nature of our report. It does not appear very hopeful that we shall have anything like a unanimous report, but we ought certainly to go through the formality of discussing it.

I would suggest that if Mr. Biggar can have his synopsis in our hands by, say, Monday morning, we shall have the day to review that analysis. Then we might meet on Tuesday and decide in as dignified and brief way as we can how we shall set about providing the House and the country with our judgment in this matter. I hope it will not be a case of getting to the country what the Government want on one hand, and what on the other hand the people think should be done. Personally, I have given up hope of a unanimous report, but I should not like our proceedings to come to an end without a sincere and dispassionate attempt to agree on what we feel should be reported. It should not take more than half an hour. After that we can go to work and get our report ready. Our report should be submitted certainly by Wednesday, unless we want the Senate to be treated with contempt if this matter be discussed on the last day of the session, or anything like that.

Hon. Mr. McRAE: Mr. Chairman, I find myself in a rather difficult position. I think most members of the committee are aware that I was not favourable to unification as it was presented to us. My reasons for that view I shall give in detail when the opportunity is accorded. I do realize, however, the responsibility of the Senate with respect to this question. Regardless of what our objective may have been, there is no doubt that the people are expecting something concrete from our two sessions' work.

I voted against the motion of the right honourable leader of the Opposition in the House—

Hon. Mr. DANDURAND: I do not admit there is such a thing as an opposition in the Senate.

Hon. Mr. McRAE: I am glad to hear the honourable leader say that.

I voted against the motion of Mr. Meighen, for the simple reason that, as I saw it, it led nowhere. It would open up before this committee, almost at the close of the session, the same old story of a wrangle over the evidence, counter-evidence and sur-counter-evidence, and next year we should find ourselves in the same position as we are in to-day. I must say that if Senator Dandurand introduces his motion, I shall have to vote against it.

Hon. Mr. DANDURAND: What motion?

Hon. Mr. McRAE: A motion along the lines indicated with respect to what may be expected from co-operation. Co-operation promises nothing better than continuing what we have had up to the present.

I join with others in saying that it would be almost a calamity if we were to close the work of this committee without presenting some concrete proposal to solve the railway problem. The river of national expenditure, which has been added to by the tributaries which have been coming in every year, is now at flood stage, and we must do something to help maintain the solvency of Canada.

I have in mind that there may be some way out of this difficulty, and at our meeting next week I shall take the opportunity of proposing a solution which I hope will be agreeable to all sides.

The credit of Parliament, and particularly of the Senate, is at stake. It will be a calamity if we go away with nothing more accomplished than the hope of co-operation, for, judging by what has happened during the past five years, co-operation means nothing but a continuation of the present situation.

There must be some way in which we can get to the bottom of this problem, and my suggestion will be along that line.

Hon. Mr. DANDURAND: I would suggest that we do not now fix the hour for meeting on Tuesday. We shall be in a better position to make our arrangements after the Senate rises Monday evening.

Right Hon. Mr. MEIGHEN: It will be Tuesday morning? I do not care what hour you decide on.

Hon. Mr. DANDURAND: Yes, we will sit on Tuesday morning. We require a little leeway so that if there is a chance for Parliament to close its labours at the end of the week, the Senate may be able to perform its primary duty of dealing with whatever legislation may come before it in time for prorogation.

The CHAIRMAN (Hon. Mr. Beaubien): Gentlemen, is it your desire that we adjourn until Tuesday morning, the hour to be fixed later on?

Some Hon. MEMBERS: Agreed.

The committee adjourned until Tuesday morning next, May 9, the hour to be arranged later.

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*Senate Railway Bill
Special Case No. 1959*

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1939
(THE SENATE OF CANADA)



PROCEEDINGS
OF THE
SPECIAL COMMITTEE

Appointed to

ENQUIRE INTO AND REPORT UPON THE BEST MEANS OF RELIEVING THE
COUNTRY FROM ITS EXTREMELY SERIOUS RAILWAY CONDITION
AND FINANCIAL BURDEN CONSEQUENT THERETO

No. 10

The Right Honourable George P. Graham, P.C. and
the Honourable C. P. Beaubien, K.C.
Joint Chairmen



CONTENTS

- Proposal submitted by the Honourable Senator McRae.
- Draft report submitted by the Honourable Senator Dandurand.

ORDER OF APPOINTMENT

(Extracts from the Minutes of Proceedings of the Senate for March 7, 1939)

Resolved,—That, with a view of completing the inquiry pursued during last session by the Special Railway Committee of this House, and preparing and submitting an adequate report on such inquiry, this Special Committee be re-appointed with a view to inquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, with power to send for persons, papers and records and that the said Committee be re-appointed with the same personnel and, therefore, that is consist of the Honourable Senators Beaubien, Black, Buchanan, Calder, Cantley, Côté, Dandurand, Graham, Haig, Hugessen, Horsey, Jones, Hardy, McRae, Meighen, Murdock, Parent, Robinson, Sharpe and Sinclair.

MINUTES OF EVIDENCE

THE SENATE,

TUESDAY, May 9, 1939.

The Special Committee re-appointed to inquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, met this day at 11 a.m.

Right Hon. Mr. Graham and Hon. Mr. Beaubien, Joint Chairmen.

The CHAIRMAN (Hon. Mr. Beaubien): Gentlemen, are you ready to begin?

Some Hon. MEMBERS: Yes.

Hon. Mr. DANDURAND: Would you allow me, Mr. Chairman? My right honourable friend (Right Hon. Mr. Meighen) and Senator Haig asked the Canadian National representatives to produce a statement of the lines that were acquired after 1931. It was filed. I asked them to give details of those lines, and I was surprised to find that it had been prepared. I simply want to add that list to the exhibit so we may know exactly where those lines were built and what they represent.

Right Hon. Mr. MEIGHEN: This does not distinguish between lines built and lines acquired, which is a very great difference.

Hon. Mr. DANDURAND: When I presented the branch line bills some years ago it was decided to build some twenty-five or twenty-six lines in the West. Those would be in that list.

Right Hon. Mr. MEIGHEN: Yes, but there is no distinction between those built and those acquired.

Hon. Mr. DANDURAND: Then I will ask that this be divided into two lists, which can be filed.

Hon. Mr. ROBINSON: Is that going to be printed?

The CHAIRMAN (Hon. Mr. Beaubien): Yes.

Hon. Mr. McRAE: Mr. Chairman, when the committee adjourned on Thursday last, I promised that at this meeting I would submit a proposal for the consideration of the committee, and with your permission I should like to do so now.

I approach our problem with a sincere regard for the public interest and in the hope that this committee after two years' effort can arrive at a report to the Senate which will be helpful in the present railway situation. For these reasons only, I feel impelled to submit to the committee my proposal.

I know that Senate committees are supposed to be free from party considerations, but rightly or wrongly, there has crept out to the country the impression that politics are playing a part in the conduct of our proceedings. I am sure, in these very difficult times, many honourable senators, like myself, have entirely lost their party passions and that with every member of this committee party passions have at least been greatly subdued. I am sure you will all agree with me that the only thing we are here to consider is, what is the best interest of the country as a whole. It is therefore highly important that any report this committee may make should be high above and divorced from any charge of party politics and also free of the charge of being influenced by either railway system.

In the beginning of our work the only benefit I could see which might come out of our inquiry was educational, that is, to give the facts to the country.

We should now, however, recognize that notwithstanding that our report would ordinarily be confined to the particular matter referred to us, as our inquiry proceeded and the press gave publicity to the hearings, aided by the discussion of many individual citizens throughout the country, a large section of the public have come to regard our inquiry as one which should result in the solution of our railway problem. They therefore expect, in fact demand, a report from this committee which will be definite and concrete and at least give promise to a more complete evaluation of the entire railway situation than it is possible for this committee to bring in.

Nevertheless, I honestly believe that with this responsibility resting on our shoulders any failure to bring in a recommendation at this time which will point the way to an impartial judgment, free from any political considerations or railway influences, will leave us subject to the most violent attacks by those who to-day are agitating against our democratic form of government, and more particularly those who are attacking the Senate of Canada. Our failure to come to a constructive finding after our two years' work, I feel would be a discredit to every member of the committee and would greatly injure the standing of the Senate itself. The problem is now on the doorstep of Parliament. To endeavour to sidetrack it, to avoid it or to bring in an innocuous report, would be little short of calamitous and furnish a clear example of the inefficiency of Parliament itself. It therefore seems imperative to me that our Committee should come to some constructive recommendation which promises an impartial inquiry into our entire steam railway problem.

Our inquiry has been almost entirely confined to the savings which would result from unification. As I have often said, I am opposed to unification as presented to the Committee. I am certain, as matters stand to-day, that the great majority of Canadians are opposed to unification. That proposal, even to those who desire it, is therefore impossible of fulfilment at this time.

The larger problem of the future of our steam railways has been barely touched. The financial picture, except as affecting savings in operation, has also not been inquired into. Many other correlated factors remain to be disclosed. Collateral issues, such as unemployment, have also to be considered and passed upon before anything like an intelligent, safe, opinion can be arrived at as to how the country should deal with this all-important matter.

There is much need to inform the public with regard to the unfortunate position in which our railways, in common with railways in the United States, find themselves. It is my opinion, that the ever growing competitive transportation services have put our steam railways, operated as they are to-day and on the present rate structure, entirely out of the class of "profit-earners," for a time. The march of time knows no retreat. At present some people believe unification would be the end of our railway deficit. This is very far from the fact. Others think that, given time, with our Canadian National Railways not interfered with and with a revival of business, deficits will disappear. This too, is equally erroneous. Everyone is agreed that railway rates cannot be advanced, a procedure which is usually followed where a business cannot make both ends meet. In view of the present financial position of the Dominion obviously the present railway situation cannot continue indefinitely. The judgment day is certain to arrive.

The real question which still remains, after reviewing the entire railway situation, is—what can be done in the National interest to relieve the taxpayers? When a solution is finally proposed, it must be one which will have the support of the majority of the Canadian people; hence the necessity of an impartial report which will carry conviction.

It is with a full appreciation of the situation that I submit to you for your consideration my proposal, which is as follows:—

That we recommend to the Government the appointment of a Board of three eminent Canadian judges, the chairman to be a member of the Supreme Court of Canada.

The duty of this Board will be to inquire into all matters affecting our steam railway problem, their financial, operating, labour and similar correlated factors;

To review all the evidence from and including the Duff Royal Commission of 1932 and all the evidence available taken before Senate Committees since that time, including the present special Senate railway inquiry;

To consider the present position of our steam railways and the probability of their making necessary earning in the future;

To report to the Government what, in its opinion, keeping the National interest in view, could be done to improve the railway situation in Canada;

The Board to be empowered to engage Counsel and such other expert advice as it may find necessary to enable it to arrive at a conclusion on any of the various points which may arise in its consideration of our steam railway problem.

The members of this Committee will note that I have endeavoured, in my proposal, to accomplish the following: —

First—To place this question before a Board far above any reproach of political or railway influences;

Second—The findings of this judicial body will carry weight with Canadians generally. Canadians, quite properly, have a high regard for our Courts and would have a similar respect for the findings of this Board of judges.

Third—The conclusions of this Board would cover all essential points which go to make up the present railway problem, and its possible solution or improvement.

Fourth—The expense of this Board would be very small indeed compared with the amount at stake. Practically all of its work would be done in the city of Ottawa. The employment of Counsel, familiar with the voluminous evidence on file, would greatly facilitate its efforts. The Board would only require such expert advice as it might find necessary in order to enable it to arrive at a satisfactory conclusion on any point in doubt. This item of expense would be the minimum the situation necessitated.

Fifth—The Board would inquire into the problem as a whole, taking into account what is best for the nation and not one section or aspect alone of the issue, which is most difficult to judge separated from the whole. Its findings in this way would be for the general good and well-being of Canadians.

Sixth—The findings of the Board would undoubtedly prove of inestimable value to the Government of the day in dealing with any eventuality which might occur in our railway situation.

May I say, as a member of the Committee, after attending its meetings for the last two sessions I have come to the firm conviction that this question must be lifted out of the atmosphere in which we now find it, if anything worth-while is to come out of our inquiry.

The exigencies of the situation demand that we place this question before the highest and most unbiased judicial body the country can command, whose judgment on the entire railway problem will be accepted by the Canadian people.

It is with this hope that I submit for your consideration this proposal.

HON. MR. DANDURAND: Mr. Chairman, I do not know if the members of the Committee are in a position to express offhand, on hearing the statement of Senator McRae, an opinion on the suggestion that he brings before this

Committee. If there is anyone around this board who is disposed to offer an opinion either in favour or in contradiction of the statement, he can do so now. I am not in a position to enter into a discussion of that statement, but I think that all those who have any clear opinion as to what our report should be should now, or to-morrow, present their views in order that we may examine them all and come to a conclusion.

I moved the adjournment of the Senate on Thursday evening last with the idea that I would have to make some suggestions to this Committee as to the nature of our report. I may say that on Friday and Saturday, closeted in my library, I gave my attention exclusively to that work. The result of my labour will be here in a few minutes—it has had to be whipped into shape—and I will submit it to the Committee. If there are any other members who are now ready, or who will be ready before we adjourn, to submit a statement to the Committee, they will of course do as I have done, and will bring their views before it in concrete form. In the meantime I leave the floor to any member of the Committee who desires to speak on this matter. In five or ten minutes I shall have the statement.

Hon. Mr. BLACK: Has the leader of the Government any suggestions to make on the report submitted by Senator McRae? Perhaps he does not care to make any comment at the moment.

Hon. Mr. DANDURAND: My idea as to Senator McRae's proposal of a tribunal to dominate the whole situation and direct the work of co-operation is this. My honourable friend speaks of three judges being appointed to examine into the evidence of the two Royal Commissions and of this Committee, such judges to be empowered to call experts. I am not at present disposed to think it would be easy to find three members of our judiciary to do this work, even if one of them be a member of the Supreme Court. If we had to decide to proceed on those lines we would select Sir Lyman Duff; but he has already presided over the Royal Commission which bears his name, and it would be somewhat difficult to enlist his services in a revision of his own work of 1931 and 1932. The question is where we would find the necessary mental equipment for tackling such a large problem. We all know—and I can speak about it now a little more freely—that although the Right Hon. R. B. Bennett made very many good appointments, he admitted that he was most disappointed in regard to the case of Mr. Justice Fullerton. It was apparently one of those accidents which occur at times in the performance of a duty that is carried out with the best intentions and the firm conviction that no error is being made. I think my right honourable friend who is facing me (Right Hon. Mr. Meighen) will admit what I say, although perhaps, because he was a member of the Cabinet, he cannot express himself on the matter. But I know personally of the very great disappointment occasioned the Government by the absence of ability and the apparent unfitness of Mr. Justice Fullerton to do the work confided to him.

I am simply making a preliminary statement. It is not my intention to express an opinion on the proposal of my honourable friend General McRae. Before noon, and perhaps within a few minutes, I shall be able to present what I sincerely believe to be the only solution of the problem before us. It will then be for the Committee to examine into my suggestions and the suggestion of General McRae; then if other members of the Committee are so inclined they can bring before us whatever information they believe should be imparted to us.

Hon. Mr. CALDER: Mr. Chairman, so far as I see the situation now, at the end of our inquiry, as indicated by the reference to this Committee, we have before us only three or four methods whereby economies can be effected. These methods are: co-operation—what you might call enforced co-operation; unification,—

Hon. Mr. BLACK: Is that unification of management you mean?

Hon. Mr. CALDER: Unification of management and of physical properties and everything else; and some other possible method that might come out of a further inquiry as suggested by Senator McRae. Senator McRae says he does not like unification. He probably does not like enforced co-operation, and he may think voluntary co-operation is worthless. Well, what other scheme does he ever think it will be possible to bring before Parliament? He does not indicate. If his suggestion means anything it simply means a review by a judicial body of all that is before us now, and an expression of opinion upon the evidence by that body instead of by ourselves.

Right Hon. Mr. MEIGHEN: I do not think I have anything in particular to say now. If I heard Senator Calder correctly, he referred to one means which had been proposed as unification of physical properties, consolidation. So far as I can recall, that was not suggested. If it were, I should be against it entirely.

Hon. Mr. CALDER: Only as to utilization of the properties.

Right Hon. Mr. MEIGHEN: I would not for one moment favour anything like unification of the properties.

Hon. Mr. HAIG: I think we should adjourn for half an hour, while awaiting Senator Dandurand's statement.

The CHAIRMAN (Hon. Mr. Beaubien): Unless some other member wants to speak on Senator McRae's suggestion.

Hon. Mr. ROBINSON: One very important development of recent years in transportation was not dealt with very much in the evidence, but according to one paper which was submitted here it seems to be the largest factor in causing railway losses. I refer to highway competition. A question to my mind is whether we should make any suggestion about that. Senator Meighen suggested as one way of controlling the situation that the Dominion Government might declare the highways to be works for the general advantage of Canada.

Right Hon. Mr. MEIGHEN: That is constitutionally impossible, though.

Hon. Mr. ROBINSON: I think that suggestion is worthy of consideration.

Right Hon. Mr. MEIGHEN: I have an idea that Mr. Hepburn and Mr. Duplessis are against it.

Hon. Mr. CALDER: Senator Meighen did not suggest that that be done.

Hon. Mr. ROBINSON: No. He said it could be done. It seems to me that the highway competition is unfair to the railways, that they are manacled by it in many ways. They are not able to compete freely with trucks; they cannot quote a rate unless they first get approval of the Board of Transport Commissioners. Truck owners can do what they like, apparently. They are not bound by labour agreements; they can run a truck for a little while, and when the time comes to pay for it, they can go into bankruptcy. The railways cannot do anything like that. I was just wondering whether we should not make some recommendation in connection with the very important matter of highway competition.

Hon. Mr. CALDER: Should we have to build and maintain the highways if they were declared works for the general advantage of Canada?

Hon. Mr. HAIG: We certainly should have to.

Hon. Mr. ROBINSON: We are pretty nearly doing that now.

Hon. Mr. CALDER: Oh, no, not by a long way.

Hon. Mr. BLACK: I think Senator Robinson has touched upon a very important factor in the transportation problem. If he could suggest some means whereby we could overcome it, it would be of even greater help.

Hon. Mr. ROBINSON: We had a suggestion from Senator Meighen.

Hon. Mr. HORSEY: I think the problem will work itself out in time. We have had evidence that it is not economical for trucks to transport goods except on short haul.

Right Hon. Mr. MEIGHEN: The suggestion I made was merely a constitutional method which could be adopted if it were wise to do so. But I did not suggest it was wise to do so. I know there would be antagonism of the most flaming character from nine governments.

Hon. Mr. BLACK: Highway competition seems to me to be the stumbling block. I would support regulation of motor traffic, if it could be done.

Hon. Mr. HORSEY: Personally I am in favour of enforced co-operation, and letting the situation work itself out, as it will and certainly must. Uneconomical transportation by truck is not going to continue indefinitely.

Hon. Mr. BLACK: Of course, there are truck companies in all provinces which are apparently making money. They do not admit that they cannot carry on.

Hon. Mr. HORSEY: They are making some money under present conditions.

Hon. Mr. CALDER: There is one field in which we have jurisdiction, and that is the air. If we look forward to a period of ten years, I think it is safe to forecast that thousands upon thousands of aeroplanes will be carrying freight then.

Hon. Mr. HORSEY: I disagree with the idea which has been expressed by some here that railway transportation is a dying business, and that it will entirely pass away in time. The history of transportation shows that once an avenue of transportation comes into use it remains in use. For instance, there have been many changes in the craft which are used for water transport, but we still have water transport. And down through the years there has been road transport. We have had railways for nearly a century, and in my opinion we shall have them for a long time yet. It may be that the trucks will help the railways, as I believe they have in Australia.

Right Hon. Mr. MEIGHEN: I agree with Senator Horsey that the railway business is not dying. It will not die in our time. It is simply a diminishing business, in the same sense that the street car business is. And the area of invasion, I would gather from the evidence, is likely to grow.

Hon. Mr. HAIG: The development of snow clearing machinery has made it possible to use highways throughout the year in provinces where a few years ago the highways were closed from the first of December to the first of April. I have in mind the Prairie Provinces. Manitoba now has continuous motor traffic on all highways the year round.

Hon. Mr. HORSEY: Railway transportation is improving, too.

Hon. Mr. HAIG: Senator McRae mentioned that the cost of modernizing rail transportation to meet competition by motor cars, trucks and buses, is very high, as shown by experience in the United States. That is what I am afraid of.

Hon. Mr. ROBINSON: Are we going to sit in camera when we make our report?

Hon. Mr. CALDER: It is not easy to sit in camera. I remember one occasion when I suggested we sit in camera, and there was a terrible howl over it. I forget what the committee was, but I thought the work was of such a character that we should sit in camera. However, we did not.

Hon. Mr. HORSEY: I do not think our railway problem is one that we can settle offhand in some Utopian way. But we ought to be able to make recommendations which, if followed, would in time improve the situation.

Hon. Mr. ROBINSON: I think Senator McRae's proposal contains a number of good suggestions that are well worth considering.

Hon. Mr. DANDURAND: I will go up to my room and see if the document containing the remarks that I wish to make is ready.

Hon. Mr. McRAE: While we are waiting for Senator Dandurand to return, I should like to know if arrangements have been made to have a miniature of this wall map incorporated in our report. I imagine one of the photographic departments of the Government could do the work very satisfactorily. I do not know whether that has been arranged.

The CHAIRMAN (Hon. Mr. Beaubien): I do not think so.

Hon. Mr. CALDER: It has been represented to me, Mr. Chairman, that the map is no good at it does not represent anything of importance. For instance, when you put your finger on that green line and say it is paying its way, it must be remembered that this is simply by contrast with the lines which are in the red.

Hon. Mr. McRAE: Of course, it is a profit distribution on a certain basis which, I think, we all understand; but by and large this map is a pretty good descriptive example of the situation. It would be helpful to have a miniature of this map in the record.

Hon. Mr. HAIG: There is a map in the record.

The CHAIRMAN (Hon. Mr. Beaubien): A miniature has already been prepared.

Hon. Mr. McRAE: I think a copy should go into the record.

The CLERK OF THE COMMITTEE (Mr. Hinds): The Canadian National supplied us with twenty-five copies, but it has not been reproduced in this printed record. It is a reproduction of the map on the wall.

Hon. Mr. McRAE: I move that a facsimile of this map be included in the official record.

Hon. Mr. HORSEY: I second the motion.

Right Hon. Mr. MEIGHEN: Carried.

The CLERK OF THE COMMITTEE (Mr. Hinds): The map will be Exhibit No. 106.

Hon. Mr. MURDOCK: While we are waiting, I should like to draw attention to a circular which came to me the other day, and which I presume has been received by other members of the committee. It is issued in favour of the trucks. It is published in Detroit and is headed, "Ridiculous Regulation and What it Means to You." It proceeds:—

A certain State Senate has passed a bill—sponsored by railroad interests—limiting the load of gasoline which can be transported over the highways to 1200 gallons, reduction of some 2400 gallons. This is a grave blow to the men who make their living hauling gasoline, but what does it mean to the ordinary citizen?

First of all, it is a step toward higher gasoline prices. It is logical to expect that if delivery costs go up, gasoline prices will go up.

It means higher taxes. Somebody—probably motorists—will have to pay the huge sum now collected in road taxes from gasoline haulers.

Now comes the paragraph to which I wish particularly to direct the attention of honourable members:—

It means that hundreds of truck drivers will be thrown out of work. A half-dozen men can deliver a 50-car trainload of gasoline. Some 125 men have employment when the same load is delivered on motor trucks.

Hon. Mr. CADDER: Terrible!

Hon. Mr. MURDOCK: There is a boost for the motor truck industry.

The CHAIRMAN (Hon. Mr. Beaubien) : Order, gentlemen. Senator Dandurand has the floor.

Hon. Mr. DANDURAND: Mr. Chairman, I am now presenting what at all events are my views. I have not submitted them to any member of the committee. They may be accepted and shared by a certain number of my colleagues, they may not be, but this is the contribution I make to a solution of our railway problem, hoping that out of the discussion which may follow—not necessarily this morning—we may whip into shape a report that will commend itself to the Senate and the country.

REPORT OF SPECIAL COMMITTEE ON THE RAILWAY SITUATION

The Special Committee of the Senate which was appointed on March 30, 1938, to inquire into and report upon the best means of relieving the country from its extremely serious railway condition and the financial burden appertaining thereto begs leave to report as follows:—

The Committee made an interim report on June 30, 1938, after having held 43 sessions and examined 31 of the principal officers of the two railway systems. With a view to completing the inquiry the Committee was re-appointed on March 7th of this year, since which time it has held eleven sessions and examined fourteen further witnesses. The proceedings of the Committee, as recorded during the session of 1938 and to date during the present session, covered 1,865 printed pages, and 105 exhibits bearing on the problem have been filed with the Committee.

The submissions to the Committee have been of great value and interest to the members, and have served to enlighten the country at large upon this very important question. As a result of the inquiry, it is possible that the Canadian people have acquired another view—possibly a totally different view—as to what our National Railway property stands for in the life of the Canadian people. To many it has no doubt seemed that our National Railways have been, as it were, a drag upon Canadian progress because of the deficits. To many Canadians it will doubtless be news that the Canadian National Railways have no operating loss and that the deficits, about which so much has been heard and which admittedly have such a serious effect upon our national finances, pertain entirely to interest charges due public investors and relate for the most part to former privately-owned lines which the government took over and continued in operation in the national interests. It is important also to bear in mind that the interest referred to is guaranteed by the government of Canada and is a continuing obligation regardless of what disposition be made of the National lines.

The Committee was impressed with the large measure of public service rendered by the Canadian National Railways in the interests of pioneering and development, the cost of which is included in the deficits referred to. These services are of great value in the economic development of the country, but cannot be operated at a profit from the purely railway standpoint. It is felt that it would be disastrous policy to attempt to eliminate railway deficits by the withdrawal of essential railway facilities.

There was exhibited before the Committee a large scale map indicating that out of a total of 21,972 miles of line in Canada, and on a traffic level equal to 1937, 4,034 miles earn enough to pay operating expenses, taxes and interest charges, 4,087 miles pay operating expenses, but fail to earn sufficient to fully meet taxes and interest, while 13,851 miles fail to earn enough revenue even to pay operating expenses. From this it will be noted what a large percentage of non-paying Canadian National mileage has to be carried by the paying or marginal lines. Nevertheless the marginal and the non-paying lines make a valuable contribution to the national life of Canada, which contribution cannot

be measured by the yardstick of ordinary business return. It has been utilized as an instrument of national development and obliged to operate extensive mileage for reasons of national policy.

The Committee was impressed also with the great potential value attaching to National lines which are located so as to make possible the development of the immense mining and forest areas of Northern Canada. The National Railways was splendidly located for the future development of the Dominion, and if the evidence taken by the Committee should do nothing more than direct attention to the potential value of the National Railways to the future of Canada it will have served a useful public purpose.

In like manner, the evidence placed before the Committee has been illustrative of the value to the Dominion of the Canadian Pacific Railway system. What the Canadian Pacific has meant to Canada, both at home and abroad, is, your Committee feels sure, appreciated by all thinking Canadians. It has shown courage and enterprise, has had a major share in the development of Western Canada, and Canadian Pacific Service has been a credit to this country in all parts of the world. The financial reputation of the Canadian Pacific has been equally high, and no other field of investment in normal times seemed to offer greater opportunity. In that way, the Canadian Pacific has attracted to the Dominion much capital from all parts of the world, and the credit of that company has been second only to that of the Dominion itself. That the earning power of the Canadian Pacific under present abnormal conditions has been so seriously impaired is no reflection upon the management of that company, but is largely due to world conditions from which its national rival and practically every railway on the North American continent has been suffering.

Notwithstanding this general situation, Sir Edward Beatty assured the Committee, during its 1938 inquiry, that he was not alarmed over the outlook for the Canadian Pacific Railway. By strict economy that company has been able to survive the stress of recent years, and he looked forward with confidence to the future. It is satisfactory to note also that at the recent annual meeting of the Canadian Pacific shareholders, Sir Edward Beatty found it possible to state that it was his conviction that in spite of the difficulties which it faces, the Canadian Pacific is in a position to maintain its independent existence for years to come.

One prominent fact develops from the evidence adduced before the Committee, namely, that the trend of railway transportation in Canada, as elsewhere, is steadily downward. That evidence shows that a comparison of the years 1935, 1936 and 1937 with 1923 indicates an appreciable increase both in production in Canada and in the volume of banking business, while, on the other hand, the gross revenues of the railways show a decline amounting to 26 per cent in 1937. This decline has taken place notwithstanding the fact that the population of Canada increased from approximately 9 millions in 1923 to 11 millions in 1937.

The principal reasons for that decrease may be attributed to the growth of competition on the highways, inland waters, and shipments through the Panama Canal. The major development of highway competition occurred between 1923 and 1937. During the same period purely Canadian traffic through the Welland Canal increased from 3 million tons to 11 millions, and purely Canadian freight through the Panama Canal from 1 million to 4 million tons annually over the period. At the same time, passenger traffic on Canadian railways declined also 50 per cent.

Evidence given to the Committee indicated that highway competition is practically unrestricted as regards regulation, carries the cream of the traffic, and operates most effectively during the non-winter months. As opposed to this, the railways are extensively regulated, and must operate under all weather conditions. Because of these disadvantages to the railways, the government has recently offered a measure of relief through the "Agreed Charge" feature of

"The Transport Act, 1938." By the provisions of this Act, the railways are now enabled to make contracts with shippers on an "agreed charge" basis for through business. It is too soon to determine the possible effect of this new legislation upon the situation, but your Committee is satisfied that the position of the railways to-day in the transportation field is quite different from that of 1923.

In the opinion of some members of the Committee the emphasis which has been placed upon Canadian National deficits has from the outset of the inquiry placed our National Railway System in a somewhat false position before the public who, previous to this inquiry, had no comprehensive knowledge of the development of the Canadian National System and the service it has rendered to the country. Unfortunately its debt and deficits seemed to stand as an indictment against its administration, and although Canadian Pacific business was also on the down grade, and was fighting its own battle, its contribution before the Committee focussed entire attention upon Canadian National Railway deficits as though they were the cause of all our railway troubles. The psychology of this situation placed the Canadian National Railways in the position of having to defend and justify its administration.

The establishment of this Committee followed a campaign of propaganda on behalf of unification which has grown in intensity since the recommendations of the Duff Commission were placed upon the statute book. This campaign of propaganda has not only hampered the working out of co-operative arrangements but has also obscured the underlying problem of the adjustment of the railway industry to the changed conditions brought about by the development of highway transport. Your Committee is of opinion that the problem created by highway transport is one which will require much study to co-ordinate the new and the old agencies of transport so as to obtain the maximum economic advantages of both. A very considerable part of the Canadian railway problem arises from this veritable revolution in the art of transportation.

This chief proposal under consideration was that of the Canadian Pacific Railway for the unification of the two railways, it being contended on behalf of that plan that savings of \$75,000,000 annually could be made for the combined properties on a 1930 traffic level, or of some \$56,000,000 to \$59,000,000 on a 1937 traffic level. The Committee inquired closely into these possibilities, from which it appeared that only a portion of the savings could be definitely measured, and these applied more particularly to road abandonments which, in the judgment of the Committee, could not be made.

Details of other savings relating to the closing of shops, stations and other facilities, as well as reduction of train services, were not disclosed by the Canadian Pacific. Thus it was impossible for the Committee to give consideration to the proposals included in the larger sphere of savings, and the reluctance of the Canadian Pacific to divulge this vital information because of possible public reaction did not assist the Committee to reach a conclusion favourable to unification.

This lack of vital information was not confined to estimated savings, but, as was developed during the 1938 sessions of the Committee, was apparent as well in the consideration of the possible distribution of joint savings between the government and the Canadian Pacific, when the Committee was unable to ascertain from representatives of the Canadian Pacific Railway, except in general terms, how joint net revenue under unification would be divided. Further leading questions to the Canadian Pacific in relation to financial matters under unification, such as new capital requirements, refunding of Canadian Pacific maturing obligations in the event of unification, and the inevitable pledge that the government would be obliged to give in connection with the new borrowings, all remained practically unanswered.

In other respects also objections appeared to the Committee to the adoption of unification, it being felt that any form of unification which attempts to

preserve within one administration the principles of private and public ownership would be unworkable, the state being bound to become involved financially, with the result that it would be impossible afterwards to unscramble the properties and revert to the status quo. The adoption of such a policy would, in the opinion of many members of the Committee, lead inevitably to government ownership of all Canadian railways. There was the added danger referred to by the Duff Commission which would be involved in setting up a railway monopoly in Canada—a state within a state. In view of these considerations your Committee feel that unification cannot be recommended as a measure of public policy.

In view of this your Committee explored as thoroughly as possible the alternative of co-operation. It was contended by officials of the National Railways that all savings practical of attainment could be secured under a policy of enforced co-operation with respect to which it was held that savings of from \$10,000,000 to \$15,000,000 might be effected, even under present depressed condition of railway transport. Nevertheless, some members of the Committee felt that greater savings than these might be secured from unification if the people of Canada were prepared to pay the price of such drastic curtailment of railway services with attendant disabilities from the national and public standpoint as have been already alluded to.

It is recognized by your Committee that the adoption of co-operative measure has been disappointingly slow. The recommendations of the Duff Commission which, it is generally agreed, was a most excellent commission, have never in fact been applied in a practical sense, and there is reason to feel that considerable economy can be secured from co-operation if it is approached earnestly and with a will to accomplish results. Your Committee sees no reason why duplicate services and duplicate facilities could not be dealt with effectively by co-operation, and it is not considered advisable to modify the terms of the Canadian National-Canadian Pacific Act 1933, except as regards dismissal compensation for employees, until the possibilities of the present act have been more thoroughly ascertained.

Complaint has been voiced by members of the Committee that, though five years have elapsed since co-operation as a measure of government policy became effective, so little has been accomplished. That criticism would seem to lose sight of the fact that even under unification five years and more would be required to secure expected results.

The evidence submitted to the Committee makes it clear that Canada's railway problem cannot be solved at one stroke. Any attempt to do so by drastic measures may be expected to produce even greater problems on account of the disturbance to communities served, because railways in most of Canada are and will remain an essential part of the country's transport facilities. The Committee feels that the situation may be ameliorated by co-operation aimed at elimination of duplicate services where no essential public interest is involved. A further amelioration may be expected as the economic spheres of railway and highway transport become more clearly defined and the competition between them is placed upon a fair and equitable basis of regulation and taxation. This is the general problem which is actively engaging the attention of governments not only in Canada, but in the United States and Great Britain.

The Committee has looked closely into the suggestion of the Canadian Pacific Railway that the evidence before the Committee be submitted to a firm of railway engineers and accountants of high standing, free from all interest in either railway system, to the end that such firm may study such evidence and especially its practical railway engineering and accounting features, and make such physical examination as it may deem necessary, with a view to making a full report as to what in the judgment of such firm would be the amount of savings which could be effected by a system of unified management, and to what extent, if any, such savings would entail an impairment of services to the Canadian people.

After due consideration, the Committee reached the conclusion that the proposed reference to an outside body was not practicable in view of the fact that the essentials of the problem are not alone of railway practice, but involve questions of broad national policy, which have to be decided upon by the Canadian parliament and its executives. Such responsibilities cannot be delegated.

The Committee, however, would recommend that the evidence submitted and the exhibits filed be reported, and thus made available to all who may be interested in the Canadian transportation problem. It is felt that much valuable evidence has been added to the public record. It brings up to date the record made available in the first instance by the report of the Drayton-Acworth-Smith Commission of 1917, and so greatly added to by the Duff Commission of 1931-32. That Commission went more fully into the railway question than it has been possible for this Committee to do. The membership of the Duff Commission included one of the leading successful railway executives of the United States, as well as the man who is now chairman of the London (England) Passenger Transport Board. That Commission, which made a physical examination of the principal properties of both railway systems, took occasion to close its report as follows:—

We feel compelled, as a matter of public duty, to strike a serious note of warning to the people of Canada. Unless the country is prepared to adopt the plan we have proposed, or some other equally effective measures, to secure the efficient and economical working of both railway systems and thereby not only reduce the burden on the federal treasury but improve the financial position of the privately-owned railway, then the only courses that would be left would be either to effect savings in national expenditure in other directions, or to add still further to the burdens under which the industries of the country are suffering by the imposition of yet further taxation. Failing the adoption of one or other of these courses, and there are obvious limits to their application, the very stability of the nation's finances and the financial credit of the Canadian Pacific Railway will be threatened with serious consequences to the people of Canada and to those who have invested their savings in that railway.

The recommendations thus referred to were embodied in the Statutes of Canada, but their working out has been thwarted and impeded by a desire of one of the railways to impose upon the people of Canada a policy rejected by the Duff Commission for the same reasons which compel this Committee once more to reject unification as a measure of national policy. In the opinion of the Committee it is in the interest of the railways and of business generally that the uncertainty resulting from the Canadian Pacific agitation for unification be ended by frank recognition of the fact that unification of the railways is not possible of adoption, and that further and more serious attempts should be made to give effect to the letter and the spirit of the Canadian National-Canadian Pacific Act of 1933, the two railways to agree between themselves to a referee—preferably the Chairman of the Board of Transport Commissioners—for the adjustment of such differences as may arise concerning co-operative policies. That, in the opinion of the Committee, offers the only practical course looking to the improvement of our present railway difficulties.

The Committee is of the opinion that this adjustment of differences with respect to co-operative measures can be accomplished within the confines of the 1933 Act which, for the purposes of effecting economies and providing for more remunerative operation, directs both railways to agree, and continuously to endeavour to agree, upon such co-operative measures, plans and arrangements as are fair and reasonable and best adapted to effect such economies. As to the selection of a referee, that legislation provides that the Chief Commissioner of the Board of Transport Commissioners shall be presiding officer of any

arbitral tribunal, to which each railway shall appoint a representative, and on matters of sufficient importance two additional members may be appointed by the President of the Exchequer Court, or a judge of the Supreme Court of Canada. This provision of the Act has never yet been set in motion, though it may be invoked at request of either company. There, ready at hand, is all the legislation necessary to give effect to the Committee's recommendation that the Chief of the Board of Transport Commissioners act as referee in the event of either railway company declining to consider a co-operative proposal emanating from the other railway.

In concluding its labours, the Committee extends its thanks to the officials of the two Canadian railway systems and the various other witnesses who have appeared before it; it also desires to express its appreciation of the services of Colonel O. M. Biggar, K.C., the Committee's counsel, for his valuable assistance in facilitating the work of the Committee. The services of the joint secretaries and reporters also have been of the highest character.

The CHAIRMAN (Hon. Mr. Beaubien): Now, Gentlemen, you have heard Senator Dandurand's recommendation as to the report which this Committee should make. Is it your intention to signify whether the Committee will approve of it or not?

Right Hon. Mr. MEIGHEN: Mr. Chairman, I think we should have some time to look over the report prepared by Senator Dandurand. I should not like to make any extensive comment upon it now. I feel grateful to Senator Dandurand for advancing our progress to the extent that he has in making concrete suggestions to the Committee. My general comment is that the report does everything except what we are instructed to do by the resolution creating us, as respects finding the best means of relieving the country from its very serious railway condition and financial burden consequent thereto. It finds no means at all. I am in full agreement with many of the statements made in it, although I think certain corrections will be necessary, as they almost invariably are in any first draft of a report. I certainly am in agreement with the commendations expressed at the close, not only to the witnesses, but particularly to Colonel Biggar, whose services I think have been ably and fairly discharged.

While I am on my feet I will emphasize only one thing. I should very earnestly like to see something emerge from this Committee which would bring the solution of our railway problem nearer. I have the utmost respect for any suggestion which comes from Senator McRae, but I should feel a sense of complete dismay if the Committee adopted what he proposes. We are here to report to the House the best means we know of for relieving the country from its extremely serious railway condition and financial burden consequent thereto. The Drayton-Acworth Commission sat for months on this problem, as did the Duff Royal Commission, both at great expense to the country. Those commissions did excellent work, and our Committee, which has sat through two sessions, has had the advantage of their proceedings and reports. If we were now to say that we are still in a fog and were to ask the Government to appoint another royal commission of three judges, I think the shock to the country would be terrific.

Further, let me emphasize this. We are living in serious times. There is going abroad, possibly unjustified—in the main unjustified—an utter distrust of our institutions, and especially of our Houses of Parliament. What will happen if we simply say we want somebody else to look into this, after all that has been expected of us through these two sessions? I really should be in despair if such were the outcome of our deliberations and our efforts. In some measure this would apply to the suggested report read by the honourable leader (Hon. Mr. Dandurand). After you have got through with it, what does it say? Well, we have our deficits, we have our serious financial burden consequent on those deficits, we have had five or six years of struggle to save the situation by co-operative measures, but with no or negligible results, yet we seriously suggest

that we continue on as we have been going and keep calling upon the railways to co-operate. It is not very helpful.

Hon. Mr. DANDURAND: Would my right honourable friend go one step farther, and suggest enforced co-operation?

Right Hon. Mr. MEIGHEN: I thought the leader of the Government (Hon. Mr. Dandurand) had suggested that.

Hon. Mr. DANDURAND: Yes; that is to say, under the arbitral board.

Right Hon. Mr. MEIGHEN: But the machinery for enforcement has been present all these years. The leader of the Government seeks in his report, I think quite unfairly—certainly quite without warrant on the evidence—to attribute the failure to invoke the compulsory clauses of the 1933 legislation wholly to one system.

Hon. Mr. DANDURAND: Not wholly.

Right Hon. Mr. MEIGHEN: I fear that is the effect of the report. I would only say that there was not the slightest evidence anywhere of any greater responsibility on the one system than on the other in respect of the failure of the measures provided by the 1933 Act. You can search the evidence line by line and you will not be able to find anything justifying a heavier assessment in this respect against one line than against the other. They each told us that the odium of doing anything was so great that they did not like to do it. I wish I could think that that odium would become less in future, but I cannot see any reason for thinking so. It would be exactly the same in the future as it has been in the past; the very same reasons will apply.

I will not make any further comment now. I suggest that we should have an opportunity to study Senator Dandurand's report and meet again as soon as possible. I am sure I can study it to-night. If we cannot bring in suggestions that will enable us to make a unanimous report, then we cannot. I wish we could all agree upon a report, but I have been afraid for some time that we could not. In that event it will be the duty of myself and of any others who have different views to state them definitely to the Committee. And if the time comes to do that, as I expect it will, I earnestly hope that nothing in the nature of a party division will take place. On that point I will say no more now. I will try to make any suggestions of mine such that those who have views at all similar will, after all this evidence, be able to come in and join with me in the report, no matter what their party views may be.

Hon. Mr. DANDURAND: I would suggest that when my right honourable friend is examining my statement he endeavour to see if there are any modifications which could be adopted so as to lead to a unanimous report.

Right Hon. Mr. MEIGHEN: Yes, I will. I will try to be definite as to what we can do.

Hon. Mr. CALDER: A question of time is involved here. When can we have a copy of Senator Dandurand's statement, and how much time are we to be allowed to come to a conclusion about it? We all know what the parliamentary situation is.

The CHAIRMAN (Hon. Mr. Beaubien): How many pages are there in the statement?

Hon. Mr. DANDURAND: Eleven.

The CHAIRMAN (Hon. Mr. Beaubien): Copies could be made available this afternoon.

Right Hon. Mr. MEIGHEN: Then, let us meet again to-morrow morning.

Hon. Mr. DANDURAND: We could leave the hour of meeting to the Chairmen.

Right Hon. Mr. MEIGHEN: I should be ready to meet at eleven.

The CHAIRMAN (Hon. Mr. Beaubien): Are you agreeable to the suggestion that we adjourn until eleven o'clock to-morrow morning?

Some Hon. SENATORS: Carried.

The Committee adjourned until to-morrow, May 10, at 11 a.m.

1939

THE SENATE OF CANADA



PROCEEDINGS

OF THE

SPECIAL COMMITTEE

Appointed to

ENQUIRE INTO AND REPORT UPON THE BEST MEANS OF RELIEVING THE
COUNTRY FROM ITS EXTREMELY SERIOUS RAILWAY CONDITION
AND FINANCIAL BURDEN CONSEQUENT THERETO

No. 11



The Right Honourable George P. Graham, P.C., and
the Honourable C. P. Beaubien, K.C.,
Joint Chairmen

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Draft report submitted by the Right Honourable Senator Meighen.

OTTAWA

J. O. PATENAUDE, I.S.O.

PRINTER TO THE KING'S MOST EXCELLENT MAJESTY

1939

ORDER OF APPOINTMENT

(Extracts from the Minutes of Proceedings of the Senate for March 7, 1939)

Resolved,—That, with a view of completing the inquiry pursued during last session by the Special Railway Committee of this House, and preparing and submitting an adequate report on such inquiry, this Special Committee be re-appointed with a view to inquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, with power to send for persons, papers and records and that the said Committee be re-appointed with the same personnel and, therefore, that it consist of the Honourable Senators Beaubien, Black, Buchanan, Calder, Cantley, Côté, Dandurand, Graham, Haig, Hugessen, Horsey, Jones, Hardy, McRae, Meighen, Murdock, Parent, Robinson, Sharpe and Sinclair.

MINUTES OF EVIDENCE

THE SENATE,

WEDNESDAY, MAY 10, 1939.

The Special Committee re-appointed to inquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, met this day at 11 a.m.

Right Hon. George P. Graham and Hon. C. P. Beaubien, Joint Chairmen.

The CHAIRMAN (Right Hon. Mr. Graham): Shall we proceed?

Right Hon. Mr. MEIGHEN: Yesterday the leader of the Government (Hon. Mr. Dandurand) read what he felt should be the report of the Committee, and in the afternoon I was given a copy, which I have before me. I cannot pretend to surprise at its contents, because it has been plain for some time what Senator Dandurand's feeling was. I regret exceedingly that there is a very wide cleavage between his views and my own. I could not on any account subscribe to this report. In fact, I do not think it is a report.

I will read the delegation of duty which the Senate unanimously conferred on us by its resolution, passed considerably over a year ago. Our duty is to "inquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto." Those words were carefully chosen not by the mover alone; they were revised after consultation.

Hon. Mr. DANDURAND: By my right honourable friend and his friends around him.

Right Hon. Mr. MEIGHEN: No.

Hon. Mr. DANDURAND: I never was consulted about the terms of that reference. But I accept them.

Right Hon. Mr. MEIGHEN: Then, why interrupt? I think if the honourable gentleman will look at the record he will find that a change was made in the wording on the suggestion of either himself or someone on his side of the House. Anyway, that is our commitment. We are given a very onerous and important duty, to inquire into and report upon the best means of relieving the country of a condition of affairs which is described as extremely serious.

Hon. Mr. DANDURAND: I think I have met that condition in my report.

Right Hon. Mr. MEIGHEN: I was going to comment on that. I do not think this so-called report reports upon any means at all, the best or any other kind. It does not report upon any means of relieving the country. It simply says to the country, "Stay as you are. You have an extremely serious railway condition, stated by our House to be such, known by everybody to be such; but grin and bear it." And there is a prolonged disquisition on the services rendered by the Canadian National, which services nobody disputes.

Hon. Mr. DANDURAND: At all events, we agree on that point.

Right Hon. Mr. MEIGHEN: Certainly we agree. The country has to have the railway. Speaking generally, this report is really more in the nature of a political pamphlet than an answer to the demand served on us by the Senate of Canada—

Hon. Mr. DANDURAND: Why does my right honourable friend speak of a "political pamphlet"? The whole report is predicated on legislation of my right honourable friend himself.

Right Hon. Mr. MEIGHEN: It is not predicated on legislation at all.

Hon. Mr. DANDURAND: Legislation of 1933.

Right Hon. Mr. MEIGHEN: I shall be very slow if the honourable gentleman continues to interrupt me that way. I did not interrupt him once. However, I do not mind an interruption if it is pertinent at all. Perhaps "political pamphlet" is a little strong. It does not discuss parties at all, it is true. It is merely designed to show that everything is all right, and that we do not need to worry about the situation, because the Canadian National is rendering services. And in one or two particulars the document is wrong. In fact, there is a considerable error in the definition of our duties, but it is not very material. Later on there are some very serious errors, which I do not think the leader of the Government could have intended to give out in an official document. I will read one extract, from page 9:—

The committee has looked closely into the suggestion of the Canadian Pacific Railway that the evidence before the Committee be submitted to a firm of railway engineers and accountants of high standing, free from all interest in either railway system, to the end that such firm may study such evidence—

Such evidence.

—and especially its practical railway engineering and accounting features, and make such physical examination as it may deem necessary, with a view to making a full report—

"to this committee" is left out.

—as to what in the judgment of such firm would be the amount of savings which could be effected by a system of unified management,—

That is, compare the evidence of this man and that man, and so on, and relate that evidence to the physical condition on the spot, if you think you have not enough information in the plans, and so forth, and then tell us what savings may be made, and how far that will entail impairment of services. That is all.

Then the next paragraph:—

After due consideration, the committee reached the conclusion that the proposed reference to an outside body was not practicable, in view of the fact that the essentials of the problem are not alone of railway practice, but involve questions of broad national policy, which have to be decided up by the Canadian Parliament and its executives. Such responsibilities cannot be delegated.

The inference is we sought to delegate to a firm of accountants and engineers the responsibility of deciding what the policy of Canada should be. It is very plain that nothing of the sort was suggested, and it is very unfair to intimate it was.

Hon. Mr. DANDURAND: Will my right honourable friend allow me? When we separated yesterday I said to him that if he had any modification to suggest to this tentative report we could consider it.

Right Hon. Mr. MEIGHEN: That is correct. But I do not think this intimation is fair at all. I emphasize it because it is the stand the leader of the Government took here. He seems to persist in misrepresenting the effort of that motion as being a delegation of authority to act. It is not. It is simply that the firm report on what are more or less technical railway matters of accounting with respect to what the exact savings would be. Then it would be for the committee to make such report as it might deem fit.

The other point I make—and I do not want to be technical—is that there is a clear inference to be drawn from this report that it was due to C.P.R. obstinacy that progress was not made in co-operation.

Hon. Mr. DANDURAND: On what page is that?

Right Hon. Mr. MEIGHEN: I do not know. If my honourable friend says there is no such inference, then I am satisfied.

Hon. Mr. DANDURAND: I want to know what my right honourable friend is referring to.

Hon. Mr. CALDER: It is on page 5, Senator.

Right Hon. Mr. MEIGHEN: Yes. This is what I was referring to:—

The establishment of this committee followed a campaign of propaganda on behalf of unification which has grown in intensity since the recommendations of the Duff Commission were placed upon the Statute Book. This campaign of propaganda has not only hampered the working out of co-operative arrangements—

There is no evidence of that, not the faintest.

—but has also obscured the underlying problems of the adjustment of the railway industry to the changed conditions brought about by the development of highway transport. Your committee is of opinion that the problem created by highway transport is one which requires much study to co-ordinate—

I have read enough to show what I mean. There is no evidence to show there was propaganda or hope of unification later on. You say, in effect, "You will not get co-operation until you get rid of the campaign for unification."

Hon. Mr. DANDURAND: That is, to create a political situation which obscured and weighed upon the whole problem of co-operation.

Right Hon. Mr. MEIGHEN: I object to any inference which the evidence does not support. I speak subject to correction, but I do not think there was any unfair attitude on the part of the Canadian Pacific in respect to efforts to co-operate.

Hon. Mr. DANDURAND: Will my right honourable friend allow me to put a question to him?

Right Hon. Mr. MEIGHEN: Yes.

Hon. Mr. DANDURAND: Does he not think the whole campaign of Sir Edward Beatty from 1932 to 1933 had the effect of making more difficult any rapprochement between the two companies? His attitude was: co-operation is no good; unification is the solution.

Right Hon. Mr. MEIGHEN: He had that attitude when we passed the Bill, but I do not think it prevented rapprochement between the two companies. The evidence did not show anything of the sort. It showed a mutually friendly attitude.

Hon. Mr. DANDURAND: If that is the only objection of my right honourable friend we can modify that.

Right Hon. Mr. MEIGHEN: I recite it anyhow.

In essence, my allegation is that this report just leaves us where we are. It does not carry us the breadth of a hair towards any solution at all. It simply expresses the hope which he and I expressed in 1933, that something should be done.

I must admit I shall be pretty frank with the committee. I was not in a state of very great confidence in 1931 and 1933. I thought it was worth while in 1933 to try out the co-operative agreement plan. I thought it was essential to follow the Duff report, and certainly the 1933 Act was a faithful pursuance

of the recommendations of that report. But having lived with this situation for years and years, I had despaired of government operation of railway long before we ever passed that Act. Indeed, I had made very definite suggestions—suggestions not corresponding to Sir Edward Beatty's at all. I made them even before he made any, and while I presume he was opposed to anything of this nature, my mind has been running that way for many years, that we shall never in the world get rid of the tremendous load that is creeping upon us by any method except some method of running the two railways together. I made that statement freely, with no prejudice whatever, for years back anyway, to a unified management plan, for I witnessed government operation at pretty close range. I got many severe and heartbreaking disappointments. My hope of anything in the way of competent and economical government management of railways in Canada disappeared utterly years ago. I have not the slightest faith in government operation of railways in this country, and I have for years been seeking some method of getting over it. So far as I know, the Canadian Pacific came to the conclusion that very drastic steps had to be taken.

I will read what I feel should be the report of this committee. Before I do so let me say again here what I will say more publicly: this is the view of myself and of those who follow me on the committee. Those who have been constrained to think as I do, I believe most of those on this side, came on the committee with a predisposition different from my own and opposed anything in the nature of unified management. This is our finding and ours only. It does not bind a single person even sitting in our House. Certainly it does not bind the party with which we have been associated. As everyone knows, the leader of the party takes a position the very opposite. No one need doubt the sincerity of my attitude in this matter.

REPORT MADE BY THE FOLLOWING MEMBERS OF THE SPECIAL RAILWAY COMMITTEE OF THE SENATE SELECTED TO COMPLETE THE INQUIRY AND SUBMIT A REPORT UPON THE BEST MEANS OF RELIEVING THE COUNTRY FROM ITS EXTREMELY SERIOUS RAILWAY CONDITION, AND THE FINANCIAL BURDEN CONSEQUENT THERETO.

It is deeply regretted that an unanimous report was found impossible of attainment, as in a matter of such grave importance, at the present juncture, the added weight of unanimity in the Committee would have been of very great value not only to Parliament but as well to all our people who are now so heavily burdened with taxation.

CANADIAN NATIONAL CAPITALIZATION AND DEFICITS

The Canadian National constitutes for the nation its most obdurate and perilous domestic problem. The outlay of Canada to December 31, 1938, on its publicly-owned railway system, including interest, has been in excess of \$3,300,000,000, of which the greater part has been brought about by recurring yearly deficits assumed and loans made by the Canadian Government to the Canadian National.

The cash deficit in 1938, substantially greater than in 1937, as shown in the Canadian National Railways Annual Report for 1938, is \$54,314,195. This deficit does not include capital losses of \$2,712,877 charged against Proprietor's Equity under the Canadian National Capital Revision Act of 1937, nor does it include interest on \$672,688,000, the principal amount of such Proprietor's Equity. The aggregate contributions of the Government to the System as at

March 31, 1938, written off to Consolidated Fund, has amounted to \$838,000,000. (See Public Accounts, 1938, Appendix 28). In addition, the aggregate of interest to December 31, 1936, on Government loans to the System accrued and unpaid, which was transferred to the Canadian National Securities Trust, under the Act referred to, has amounted to \$574,781,000.

The above large sums already written off represent in reality assumption by the Dominion of Canada of a very considerable total of capital which went into our railways, and entail as well a substantial addition to the National Debt. No criticism of such writing off is implied in this report. The results, however, after the writing off, speak for themselves.

It is evident that the railway problem cannot continue to drift as it has done in the past, without more hardship to the taxpayer and great and imminent danger to the credit of Canada.

In view of the marked increase in Government expenditure and taxation within the last years, of our constantly growing requirements, more particularly for national defence, for the relief of large sections of the community, for rapidly expanding social legislation, and the corresponding greater necessity of husbanding the resources of the country, we are moved to quote anew the solemn admonition given to the nation by the Duff Royal Commission of 1932. It is far more justified to-day than it was seven years ago:—

We feel compelled, as a matter of public duty, to strike a serious note of warning to the people of Canada. Unless the country is prepared to adopt the plan we have proposed, or some other equally effective measures, to secure the efficient and economical working of both railway systems and thereby not only reduce the burden on the federal treasury but improve the financial position of the privately-owned railway, then the only courses that would be left would be either to effect savings in national expenditure in other directions or to add still further to the burdens under which the industries of the country are suffering by the imposition of yet further taxation. Failing the adoption of one or other of these courses, and there are obvious limits to their application, the very stability of the nation's finances and the financial credit of the Canadian Pacific Railway will be threatened, with serious consequences to the people of Canada and to those who have invested their savings in that railway.

REASONS FOR INACTION

It is contended that the expenditure of the Canadian National, even if excessive, provides for the subsistence of a portion of the population which, otherwise, might be under relief. Obviously, this is fallacious as nothing guarantees that such excess in expenditure goes to those otherwise in need of it and, above all, as such policy, if accepted, would lead to unrestrained wastage in all Government departments.

HON. MR. DANDURAND: That has not been emphasized by me.

Right Hon. Mr. MEIGHEN: No. I am giving the reason.

The complacent state of mind of many witnesses, including some officials, who seemed anxious to see the country resign itself to the perpetuation of unbearable deficits, is deplorable. To this end it was represented that these deficits were but an apparent loss to the country, as the Canadian National provided for the nation an equal value in services which were essential to its present well-being and future development. Such a contention is utterly inadmissible, as like adequate services can be, and in fact are, rendered by the other railway system in Canada, and by similar companies in other countries, at no cost to the nation.

Witnesses appearing before the Committee outlined solutions of the problem, in which there was implied no abandonment of essential services, but all were designed to reduce or eliminate unnecessary duplication and redundancy of services.

It is obvious that relief can be obtained otherwise only by a very large increase in revenues, which appears to be definitely unattainable either through increases in rates or through any conceivable growth of traffic.

REMEDIES SUGGESTED

Three different methods were proposed to the Committee for securing economies to reduce the burden of Canadian National deficits.

VOLUNTARY CO-OPERATION

A more effective application of the co-operative provisions of the Canadian National-Canadian Pacific Act, 1933, was recommended.

This suggestion is far from being promising. Since the coming into force of the above law in 1933, the total savings from arrangements now in effect, and others agreed upon by the railways but not yet in effect, will be less than \$2,000,000 per annum.

Five years of trial has, it must be admitted, demonstrated that economies to be effected through voluntary co-operation are of a very minor order. Further, the evidence submitted on behalf of the officials of both railways made it abundantly clear that hope for the future in this regard is practically negligible. The absence of singleness of interest in the result to be obtained by economies, the continuous and not unnatural jealousies of officials as to the prestige of and immediate consequences to their respective properties, make the securing of what they describe as a balance of burden and advantage the subject of a long drawn-out and almost always futile struggle. In this respect any contention that the larger measure of responsibility for this futility rests on either one of the two companies more than on the other cannot certainly be supported by the evidence.

ENFORCED CO-OPERATION

A second recommendation, made by the President of the Canadian National, provides for the injection into negotiations between the railways of a new body consisting of a representative of each of the railways, and a chairman appointed by the Government, the chairman to have an over-riding vote. This body would have authority to initiate studies of any project suggested by any individual member, and, if a favourable report was made by a majority, or by the chairman alone, the proposal would automatically go before an Arbitral Tribunal for final decision. It was argued that this would relieve the railway companies of the stigma which would attach to agreement to undertake unpopular economies. As to the latter point, it would be most unwise to depend on the Government voluntarily submitting to public odium—as the result of the action of its representatives—a public odium which railway officials themselves admit they have recoiled from incurring. Experience proves that no Government will incur odium knowingly. The suggestion appears to be useless.

It might be pointed out as well that there would seem to be a dangerous responsibility assumed in establishing, as the effective agent of enforced changes in operation or physical assets, a Board on which two members would, as between the two railway systems, be representative of one, and only one representative of the other. It is important to avoid with the utmost care any enforced action which might be the ground of liability to the country later on.

It seems to us the sooner the people of Canada accept the conclusion that co-operation of two competing systems cannot be effective in any worthwhile

way in bringing about absolutely needed economies, the better it will be for the establishment of some really effective remedy and for the solvency of our country. In this connection it must never be forgotten that the railways are in a death struggle for a living, and while that struggle continues, each will fight for itself. The consequence of this mutual destructiveness falls on the taxpayers of Canada. It was very strongly urged before your Committee that such mutual destructiveness can only end when the officers and employees of both systems are working wholeheartedly for a single economic end.

UNIFICATION OF MANAGEMENT

The third suggestion made was unified operation by a single management of the Canadian National and the Canadian Pacific, each company continuing to own its respective properties, and no guarantee being given to the Canadian Pacific of a return on its stock or on its bonds or other capital issues. Each company would continue to receive, under unified operation, the net earnings which past actual results over an agreed period of years indicate that each would have received as an independent institution, and additional net earnings made available by the economies of unified operation would be shared between them on an equitable basis. It was intimated that of these additional net earnings the Canadian National should receive at least half. The suggestion was that unified operation would be under the control of a Board to be created by Parliament and to be composed of fifteen directors, five of which would be selected by the Government or by the Canadian National, five by the Canadian Pacific, and the remaining five by the directors already chosen, or by some other appropriate method.

This proposal was met at the outset by two objections:

Firstly:—It was contended that such unified management would create a huge and possibly an oppressive monopoly.

To this objection the following arguments taken from the evidence apply:—

(1) For many years very large sections of the Dominion not served by both railways have lived under the monopoly, if such it be called, of either the Canadian National or the Canadian Pacific, and have done so without any perceptible disadvantage;

(2) The Railways have long ago been stripped of all powers which might render any monopolistic feature injurious to the public interest. The Board of Transport Commissioners holds by Statute supreme authority over them and controls all abandonment of lines, withdrawals or reductions of services, as well as of increases or decreases of rates and fares.

(3) The development of transportation by means of motor cars, buses and trucks (public and private) and by air and water traffic, has created conditions where even under unified railway operation there would be very effective competition anyway, and competition quite difficult to cope with. Indeed, many witnesses, including some who spoke for labour, contended strongly that under the present system of operation it was impossible to meet this competition, and that if the situation is not met effectively, railway labour itself would be direct sufferers, and on a serious scale.

(4) The modern world exists under a great number of monopolies imposed by the free will of the people for the essential purpose of suppressing excessive charges and wastage due to duplication. This is strikingly exemplified in transportation, telephone, water, gas, electricity and other urban services, and in some countries, in railways.

Secondly.—The other objection is based on the apprehension that there would be created a large mass of population, whose united influence might dominate the political life of Canada. To this the answer seems to be that if the interest coalescing the railway employees is an occupational or a professional

one it exists already. No more striking evidence of this can be imagined than the opposition to unified management, as well as to co-operation, voiced by the railway employees of both systems through their unions.

If the interest creating the coalition be a political one, then conditions now are just as favourable for its success as they could be under unified management. Indeed, there are many who believe that such political power is now exercised. Without any doubt at all, pressure is exerted, through their unions, by the mass of employees of both railways, on political parties.

This continuous, concerted pressure is mainly directed to the protection of a fortunate section among all the labouring classes of the country.

This influence is in fact one of the chief obstacles to the settlement of our railway problem. It can only be removed by placing the administration of the Canadian National definitely and finally above political interference and in the hands of capable, strong and thoroughly independent men, whose tenure of office could be attacked only for cause. This could be accomplished by placing our railways under the direction of a properly selected board, whose only object could be the successful operation of a united system.

Any reasonable cause which railway workers might have had to oppose unified management has been eliminated by the proffer of provisions protecting them, in the manner effected in Great Britain, against loss by dismissal, demotion or transfer. It must be remembered that not less than from five to seven years will be essential to attain, step by step, the full results of unification. The evidence indicates that normal attrition, which accrues through death, pension age, or resignation, would remove men from employment faster in the aggregate than would be required during the process of unification, and those who suffer in special cases—for some would so suffer—can be assuredly compensated. These guarantees which have been definitely offered are measures of protection hitherto unknown to the working classes of any industry in the country, and corresponding protection is certainly not enjoyed by any other class.

It was not unreasonable to expect that railway workers would have been reassured by the definite statement to the above effect made on behalf of the Canadian Pacific—which, undoubtedly, would be acceptable to the Government if an arrangement were entered into—and would have withdrawn their opposition to a unified scheme of management. This is especially true because the scheme of compensation would be, and should be, the subject of an agreement in which the wishes of the employees would be fully represented, and the rights under such agreement would become statutory.

The object sought to be attained is the avoidance of financial disaster to our country, in which disaster every class would suffer, and the poorer classes even more than others. It is not, therefore, unjust to ask that all co-operate in a fair spirit to such an end.

Persistence in their present attitude simply means they insist that the taxpayers of Canada, for all time, shall carry the burden of many thousands of positions which are not required. On this point it must be carefully noted that the benefit in the main goes to the more fortunate class of senior employees, while junior men are left to suffer for want of work.

In this connection it is important to keep in mind that the railway business of the Dominion, as indeed of all countries, has been steadily diminishing in volume as compared with business as a whole. The evidence before your Committee led irresistibly to the conclusion that this tendency may be expected to continue.

Mr. Hungerford, President of the Canadian National Railways, submitted in his evidence that the efforts to operate the property on economical lines were circumscribed by what he defined as considerations of "public interest"; that what constitutes "public interest" was really determined by the Government

of the day and that if the Canadian National were not a Government enterprise it certainly could not be carried on its present footing.

It may be reasonably inferred, as was indicated by the late Sir Henry Thornton in his evidence before the Royal Commission, that the policy of the Government, whatever might be the efforts of the Canadian National management to operate on sound business lines, is unhappily reflected in the administration of the railway in increases or reductions in personnel, in the carrying out of contracts for works, purchases, etc., which fact largely accounts for the Canadian National spending on operating costs alone last year 96·67c for every dollar earned by it, whereas, the Canadian Pacific spent 82·29c to earn the same amount.

As a glaring instance of political influence on the policies of the Canadian National, we may cite the fact that the completion of the Montreal Terminal was definitely promised on the hustings by Ministers of the Crown, months before the directors made their recommendation to proceed with the work.

It is submitted that joint managership, by elimination of this and other forms of political interference, and by gradually removing duplications and utterly unnecessary costs in many spheres, might well overcome the major cause of past recurring deficits.

SAVINGS FROM UNIFICATION

Sir Edward Beatty, President of the Canadian Pacific Railway Company, claimed that through the unified management of both railways, savings to the amount of \$75,300,000 per annum could be effected under average traffic conditions, which he stated are those of the year 1930. This claim was supported in the greatest detail by a long line of officers of that company. These officers and Sir Edward himself were questioned at length by members of your Committee. Figures and supporting evidence for lesser, but still huge, savings were given, applicable to years of diminished traffic.

As to the method followed to establish such savings, it seems important that it should be described in some detail. The outline which follows is carefully deduced from, and is supported in every particular by, the evidence submitted:—

As to savings by unified management, there were first set out the conclusions arrived at by the respective officials of the two Companies at the request of, and submitted to, the Duff Royal Commission. These conclusions were as follows:—

By the Canadian Pacific officials:

\$75,300,000 based on the same scale of operations as prevailed in 1930;

By Canadian National officials:

\$50,340,000 based on the scale of operations of 1931.

This would be equivalent to \$56,440,000 based on the scale of operations in 1930—the operations of 1930 being about 30 per cent larger than the operations of 1931.

It is clear from the above that the comparable figures are \$75,300,000 as presented by Canadian Pacific officials and \$56,440,000 as presented by Canadian National officials.

There was then set out a full outline of the very thorough methods adopted in arriving at the above estimates of savings.

The evidence of Canadian Pacific officials was first given and showed that a Committee of officers from the operating, engineering, traffic, mechanical and accounting Departments was constituted and worked over a long period. They surveyed the existing supervisory organizations of

the two Railways as independent units, the location and function of the various lines of railway; passenger and freight train services; and terminal and shop facilities. Each phase was taken in hand by officers familiar by experience with each special work. Senior officials were made available for consultation. In a word, the resources of the entire organization were used by the Committee. The efforts of the Committee were directed not to determine any maximum limit of savings, but merely what could reasonably be expected under normal conditions. Methods employed by the Canadian National were described as somewhat unlike those adopted by the Canadian Pacific. Both, however, included economies from reduction in general overhead expenses, traffic solicitation, advertising and regional supervision; line abandonments, re-routing of traffic, increased car and train loading, consolidation of repair work, readjustment of passenger train services, as well as from operating joint freight and passenger terminals, consolidating express and telegraph services, consolidating accounting services and other expenses. There are items which appear in each estimate which are not in the other estimate, but, considering that two different methods were followed in getting together these estimates, there is an added importance to such similarity as appears in the two results. It was brought out in the evidence that in the case of the Canadian Pacific estimate the services of an experienced official of the Great Northern Railway Company were obtained to review very carefully the whole plan of estimating savings which had been adopted. This official, Mr. V. P. Turnburke, General Auditor of the Great Northern, had had to do, himself, with the consolidation of the Great Northern and the Northern Pacific. After a very thorough review on his part, he made certain criticisms and suggestions, and finally reported that in his opinion the committee of the Canadian Pacific, in estimating savings, had proceeded along conservative lines, and he did not hesitate to accept the conclusions reached.

A number of principal officers and engineers of the Canadian Pacific, who had been working on seventeen committees in all, demonstrated, under the several headings in use in railway accounting, the various retrenchments in expenditures estimated to result from unified operation. Most of these headings were divided into sections and even into further sub-sections, in order in each case to build up from the ground two sets of figures—the first set being such as applied to the particular section or sub-section as a part of the two systems when unified, and the other set being the savings in each case resulting from unification.

It cannot be gainsaid that the body of evidence made up by the above process was thorough and impressive.

There is one feature of these savings which should be especially emphasized. Efforts have been made to give the public the impression that savings can only be effected, or can at least mainly be effected, by abandonment of lines. The evidence very clearly demonstrated that savings by abandonment of lines did not amount to more than 10 per cent of the total savings that are realizable. Even this 10 per cent savings, which might be described as attributable to abandonment, included such almost unused short lines as to the abandonment of which no railway made objection. There appeared no intention, on the part of any of those who gave testimony, of abandoning any lines save such as would, after argument from all interested, be deemed by the Transport Commission of Canada as proper to be abandoned without sacrifice of public interest. Very large economies were shown to be realizable without abandonment at all.

The evidence supported, and, save for minor items hereinafter referred to, justified savings to an amount of \$75,300,000 for the traffic level of 1930, as established in the Canadian Pacific estimate submitted to the Royal Commission in 1932.

In view of the enquiries made by various members of the Committee, the Canadian Pacific undertook, since the original hearing, the preparation of an estimate on the basis of 1937 traffic level, and this showed savings of \$56,346,000 without any line abandonments whatever, and savings of \$59,361,000 with allowance for such line abandonments as it was reasonable to assume the Board of Transport Commissioners would authorize under present conditions. This reduction was qualified by the statement that savings would fluctuate with traffic, and, therefore, revert to \$75,300,000 should traffic again reach the level of 1930.

The submission of the Canadian Pacific witnesses was necessarily of a technical nature. The same could be said, though in less degree, of the evidence in opposition submitted by the officers of the Canadian National.

To demonstrate the very special character of the argument made on both sides, it is sufficient to refer to the method used, not exclusively but in the main, to establish savings from unification.

This method required the ascertainment of reduction in train and car mileage obtainable without detriment to public service from the consolidation of lightly loaded trains—a consolidation which, manifestly, unified management could bring about—and from the use of the shortest and most economical routes both for passenger and freight. The result, according to the evidence, was a saving of 6,909,939 passenger train miles or 14·3 per cent and 8,897,000 freight train miles, or 15·4 per cent. These percentage reductions and others similarly calculated were used to measure the realizable economy in the different departments where such percentages could properly be applied.

In other cases economy was calculated directly by estimating what reduction would be possible by the consolidation of departments. The train and car mileage formula was used to prove over \$50,000,000 out of the \$75,373,000 of savings claimed as realizable. Other technical methods were applied either exclusively or jointly with decrease in train mileage to establish the balance of the economy so claimed.

All these calculations were based on the figures of 1930.

The Canadian National officers opposed the above formula and its results by denying that the stated reduction in train mileage is exact, and further by asserting that Canadian Pacific unit costs are not applicable to the Canadian National as the lines of the two railways are not comparable. Evidence was submitted by the Canadian Pacific to show that Canadian Pacific unit costs had not been applied to Canadian National operations, but, where used, had been adopted as the measure of cost possible of achievement by the unified system. The Canadian National officers further contended that the Canadian Pacific calculations took no account of the substantial reduction in expenditures of the former system from 1930 to 1937. The Canadian Pacific admitted that permanent savings made in recent years justified a deduction of \$4,801,000 from the original estimate, but showed that additions of \$9,056,000 were justified by other known items of change. In addition, the evidence showed that by their very nature the temporary savings made independently by the railways were entirely different from the permanent economies which would be possible under unified management through the elimination of duplicate effort. The revised Canadian Pacific estimate to which reference has been made, having been computed on the basis of 1937 level of traffic, completely disposes, if it is reasonably accurate, of the contention that large economies are no longer available because of individual economies effected by the railways, either on account of reduction in traffic, or otherwise.

From 1930 to 1937, gross revenues of both railways fell 21.6 per cent. Combined expenditures of both railways between the same years was reduced by 20.7 per cent.

Mr. Fairweather seems to be the only Canadian National witness who has surveyed the whole question. The gist of his evidence was that large savings from the unification of railways were impossible of realization, as the public and employees would not tolerate consequent reduction of the services and the creation of a monopoly. When confronted with many items of savings to which these objections did not appear to pertain, even remotely, he gave the impression of unwillingness to consider any savings to which his objections did not apply. This general affirmation was supported also in general terms by Mr. Hungerford, the Canadian National President.

Throughout the testimony of these officers there was a pervading strain of concern for the popularity of the Canadian National Railway and management. This is not an unnatural characteristic, having regard to the atmosphere in which inevitably officers who are answerable only to a Government must live. It cannot, however, be too strongly emphasized that such attitude of mind leads irresistibly to redundant and extravagant services and the sacrifice of the taxpayer.

In connection with Mr. Fairweather's evidence in particular, there must be kept in mind the report made by him and submitted to the Royal Commission of 1932. This report embodied the conclusion that there was a possible saving of \$56,230,000 from unification on the traffic level of 1930, and \$50,090,000 for 1931, which latter year approximated closely the traffic conditions of 1937. Further, this report was made at the request of the late Sir Henry Thornton and submitted in train conference to the Royal Commission. It is important also to note that it was prepared prior to the constitution of that Royal Commission, and before the Canadian Pacific, at the request of the Commission, began work on its estimate. For the preparation of the above report Mr. Fairweather had the collaboration of seven technical assistants and access to any information he desired from the Canadian Pacific.

Mr. Fairweather's original estimate is elaborate and comprises an explanatory memo of 12 pages and schedules of 39 pages. Although prepared by a totally different method, it appears to corroborate generally Sir Edward Beatty's contention as shown by the following comparison of the two estimates under their main headings:

ESTIMATES BY CANADIAN NATIONAL AND CANADIAN PACIFIC
RESPECTIVELY OF POSSIBLE SAVINGS THROUGH UNIFICATION,
BASED ON THE LEVEL OF TRAFFIC FOR 1930

	C. N. R.	C. P. R.
Increased railway operating revenues.....	\$ 6,540,000	\$ 1,396,000
Traffic solicitation and advertising.....	6,950,000	5,976,000
Transportation and miscellaneous operations.....	20,047,000	24,954,000
Maintenance of Way and Structures.....	3,423,000	14,889,000
Maintenance of Equipment.....	7,797,000	14,360,000
General	1,573,000	4,289,000
Lake and coastal steamers.....	500,000	450,000
Hotels.....	4,500,000	.....
Express operations	600,000	1,450,000
Telegraph (railway and commercial).....	700,000	948,000
Interest on released investment in material and rolling stock	3,000,000	6,350,000
Miscellaneous	600,000	311,000
Grand Total	\$56,230,000	\$75,373,000

Hon. Mr. DANDURAND: Of course, you know under what conditions and qualifications Mr. Fairweather made that statement.

Right Hon. Mr. MEIGHEN: Yes; I show that.

Details show items in each estimate that are not in the other, which indicates that a combination of both estimates might well produce potential fields of economy greater than the total of either.

Mr. Fairweather also gave evidence as to possible savings under co-operation. In this his opinion appeared to undergo very considerable variations as he first appraised savings under this head at \$35,000,000, then at \$24,000,000, subsequently again at \$10,000,000, and finally stated that such estimates were but guesses on his part. It is difficult to appraise the value of evidence so submitted.

This very brief analysis of the evidence suffices to reveal its technical character. While the undersigned feel, as probably other members of your Committee feel, that after many months of close study of this situation, and after having had the advantage of hearing scores of witnesses on every phase of the subject and of questioning such witnesses, they have been able to reach a dependable conclusion on the merits of the conflicting contentions advanced respectively by officers of the two railway companies, they are also of the opinion that not being possessed themselves of special expert knowledge on these subjects, the public would be better served and better satisfied if it could be supplied with the findings of an impartial tribunal of experts, qualified by training and experience to report on the evidence submitted. Accordingly, a motion was made before your Committee on May 2, 1939, in the following terms:—

That the evidence before this Committee be submitted to a firm of Railway Engineers and Accountants of high standing, free from all interest in either Railway System, to the end that such firm may study said evidence, and especially its practical Railway engineering and accounting features, and make such physical examinations as it may deem necessary with a view to making full report to this Committee as to what in the judgment of such firm would be the amount of savings which could be effected by a system of unified management, and whether and to what extent, if any, such savings would entail impairment of service to the Canadian people.

This motion, we regret to say, was defeated.

The undersigned are of opinion that such investigation need not have entailed very great expense, because, first, the evidence is already submitted, and, secondly, investigation on the premises would only be necessary in rare cases, because facts, maps, plans and other necessary data are already available and can be made open to inspection at the offices of the respective companies. The undersigned further are of opinion that only by means of such report could the full value of the vast mass of information, which your Committee has accumulated, be obtained and utilized by the Canadian people.

The undersigned consider it a matter of much significance that on this question which should have been dealt with as a pure question of savings to the people of Canada in the operation of the nation's railways, in which question necessarily the provision of essential services would be a part, there should be found two distinctly opposite sets of opinion among railway officials, and that one set should be entirely confined to the Canadian Pacific and the other set entirely confined to the Canadian National. The question considered as above defined is, or should be, essentially one and the same for both systems. The only conclusion is that considerations other than those included in the above definition must have intervened.

At this point again the undersigned further beg to emphasize the overwhelming necessity, from the standpoint of the whole country, from the standpoint of its credit and solvency, and for the good of every class and every community of the Dominion, that some solution definite and effective must be found, and found without further avoidable delay.

CONCLUSIONS

In the terms of your Committee's appointment, your Committee was assigned a very definite duty, namely:—

to inquire into and report upon the best means of relieving the country from its extremely serious railway condition, and financial burden consequent thereto.

To comply with the above commitment, a full inquiry had first to be made. This has been done. After enquiry, the next duty is to "report," and such report must disclose what in the judgment of your Committee is a "means of relieving the country from its extremely serious railway condition, and financial burden consequent thereto"; and the "means" reported must be, in the judgment of those reporting, the "best" means as shown by the evidence submitted.

The undersigned are utterly unable to find in the evidence any hope whatever of relief from any other source than that hereinafter indicated in this report.

We further are of opinion that if, contrary to the evidence, effective relief can possibly emerge out of any other of the suggested policies, such policies applied to the extent absolutely essential to bring such measure of relief will be open to whatever objections, if any, can be offered to the course hereinafter indicated.

We are impressed by the following considerations:

(1) That huge competing businesses struggling for a living in the same field can in general, and probably always, effect tremendous economies by unified operations;

(2) That such unified operations as have in a very minor way been put in effect in respect of our railways have already shown large percentage reductions. In the case, for example, of the pool trains, there has been shown an operating saving of 33 per cent, though such pool trains still carry the waste of duplication in terminals, yards, etc.

(3) That in addition to savings in year to year operations, new capital requirements for one singly-managed system should be very substantially less than new capital requirements for two competing systems.

(4) That assuming the public interest can be protected and essential services maintained, there would seem to be strikingly important opportunities for saving by some plan of unified management in respect of two such systems as now exist in Canada. To ensure the full conservation of every essential public interest and public service, and to safeguard the interests of Canada, the undersigned recommend insistence on the conditions enumerated below in respect of any system of unified management which may be worked out. The undermentioned stipulations are not advanced with any thought that they are all-inclusive. We believe, however, that conditions in Canada, both as affecting the Dominion on the one hand, and as affecting the Canadian Pacific Railway Company on the other, are such that all necessary and reasonable provisions can be arrived at and agreed upon. The following objectives should be secured:—

i. There should be no obligation, legal or moral, implied or expressed whereby the country assumes any liability in respect of Canadian Pacific obligations or securities, either as to capital or interest;

ii. Any plan of unified management adopted should be such that the resulting operation can in no sense be dominated by the Canadian Pacific Railway Company;

iii. Out of earnings up to the average aggregate earnings of both systems over such a period of years as may be agreed upon, the Canadian National must be assured the same share of such earnings as it has enjoyed of such average earnings;

iv. Out of earnings above such average earnings, which presumably will be earnings due to economies effected by unified management, the Canadian National should receive not less than one-half;

v. New capital investments, limited as they will be to joint requirements, should be provided for on a basis of definite and individual responsibility for respective shares of the capital on the part of the Canadian National (or of the Dominion of Canada), on the one hand, and of the Canadian Pacific Railway Company on the other hand.

vi. Both parties should agree to such enlargement of the powers and supervision of the Board of Transport Commissioners as may be deemed necessary to protect and serve every public interest.

The agreement is merely that there can be no complaint when it does come.

vii. In view of the very extensive economies to be attained, and to the end that the process may not involve undue hardship on anyone, provision should be made for the due protection, by both systems, of labour adversely affected by such economies, along the lines lately followed by the railways of Great Britain.

viii. Agreement to all provisions should be obtained from each separate class of security holders of the Canadian Pacific and of the Canadian National, insofar as such latter security holders are not already protected by government guarantee.

The undersigned are of opinion that on the evidence submitted this country can look only to a system of unified management for relief; that the evidence demonstrates that relief can in fact be obtained under such a system, provided complete absence of political interference is assured in the Statutory terms creating such system; and are further of opinion that same can be done with ample and complete protection of all public interests.

Arthur Meighen
C. P. Beaubien
F. B. Black
J. A. Calder
Thos. Cantley
L. Coté
J. T. Haig
G. B. Jones
W. H. Sharpe

Hon. Mr. SINCLAIR: Several times in the report you refer to the "undersigned," but you do not mention any of the signatories.

Right Hon. Mr. MEIGHEN: No. I did the same as the leader of the Government. I have not given up all hope of naming fifteen.

Hon. Mr. DANDURAND: Has my right honourable friend something to add?

Right Hon. Mr. MEIGHEN: No. The chairman just asked if we want a vote on the report. I do not see any value of a vote on either report.

The CHAIRMAN (Right Hon. Mr. Graham): Is it agreed that a unanimous report might be evolved from this discussion?

Hon. Mr. DANDURAND: I do not know whether my right honourable friend suggests that we should adjourn this sitting for the examination in detail of his statement. He honoured my own statement by suggesting that he should have twenty-four hours to prepare his answer. I have followed my right honourable friend very closely. He suggested that my statement, which was brought before this Committee yesterday, smacked somewhat of a political presentment. I do not know exactly what he meant by that expression, because I thought I had made as fair a statement of the views I held as I could make.

Right Hon. Mr. MEIGHEN: I will put it this way—designed to antagonize nobody rather than designed to find a remedy.

Hon. Mr. DANDURAND: That was not my purpose, and I will not qualify the statement of my right honourable friend in that way, but I may say that therein we find the whole thesis of the Canadian Pacific Railway, from the outset to the last day, and I am quite familiar with the statements of the Canadian Pacific Railway and its aims.

Now, in order that the Committee may be seized of the whole situation and the whole view of the matter held by the two railways—because they were before us discussing the problem, and those who appeared were for the most part concerned with the very question which we are studying—I will read the statement of President Hungerford, of May 3, 1939, which was presented to the Committee but not read. It is as follows:—

HONOURABLE SIRS,—As requested, I have had the memorandum submitted by the Canadian Pacific Railway in rebuttal of the evidence given at the request of the committee by officers of the Canadian National Railways in criticism of the Canadian Pacific \$75,000,000 estimate reviewed by the Canadian National officers who gave evidence. I am advised by these officers that the memorandum contains no information which would lead them to change the force and effect of the evidence which they submitted upon the \$75,000,000 C.P.R. estimate. These officers advise me that within the field of their respective competencies they still consider the estimate submitted by the Canadian Pacific Railway to be unsound and largely impracticable of accomplishment. With this conclusion I find myself unqualifiedly in agreement;

The tenor of the evidence submitted by the Canadian National officers was to show the vast difference which exists between theoretical estimates of savings and what might be accomplished in a practical sense. In my own submission to the committee I stated that the substantial savings envisaged in the \$75,000,000 estimate could never emerge. I hold the same view with regard to the Canadian Pacific estimate of \$59,740,000 under 1937 conditions. In my judgment, based upon extensive experience in consolidation of railway properties, it is entirely fallacious to look to savings of such proportions as being possible of attainment.

I do not think that any good purpose would be served by replying in detail to the Canadian Pacific memorandum in rebuttal of evidence of C.N.R. officers because such reply, in the absence of a disclosure by the Canadian Pacific of the physical changes contemplated in their plan, would be of little value in testing the validity of C.P.R. assumptions as to the reduction in quantity and quality of railway services, abandonment of railway terminals, shops, engine houses, etc., and would add nothing to the evidence already submitted. The refusal by the Canadian Pacific Railway to disclose what is contemplated in this regard reduces discussion to statistical conjectures with regard to unknown contemplated changes. The test of the value of the \$75,000,000 estimate is not primarily a question of figures, but is one of the practicability of what is proposed to be done.

The \$75,000,000 estimate was submitted to the Royal Commission on Transportation in 1931 and the evidence before the commission clearly indicates that a program for the abandonment of 5,000 miles was submitted by the Canadian Pacific Railway and was held by it to be of prime importance. The commission was informed by the C.P.R. that the economies from such a program would be \$16,366,000 a year. The practicability of this program of line abandonments and of the economies resulting therefrom was examined in detail by the special Senate committee last year and I do not think it is over-stating the case to say that if any

one thing was clearly demonstrated, it was that line abandonments of this order are totally impracticable. The conclusion is inescapable that the same degree of impracticability would be found to apply to much else of what was proposed to be done by the Canadian Pacific Railway if its details were known. Evidently these measures are of a drastic nature since the reason given by the C.P.R. officers for refusing to disclose them is that such action would be opposed to the interests of the Canadian Pacific Railway due to the anticipated resentment of the communities affected.

Right Hon. Mr. MEIGHEN: What is this, may I ask?

Hon. Mr. DANDURAND: It is President Hungerford's statement.

Right Hon. Mr. MEIGHEN: It is in the evidence, is it not?

Hon. Mr. DANDURAND: Yes, but it has not been read.

Right Hon. Mr. MEIGHEN: Oh, I see. All right.

Hon. Mr. DANDURAND: (Reading):

I note the Canadian Pacific memorandum in rebuttal, in various places alludes to a Canadian National estimate of savings from unification as having been made to the Royal Commission on Transportation, and figures therefrom are used by the C.P.R. to support the estimate of \$75,000,000. It has been pointed out in evidence before the Senate committee that the Canadian National Railways never submitted such an estimate to the Royal Commission but that Mr. S. W. Fairweather, at the request of the Royal Commission, made available to it a theoretical estimate in which was incorporated clearly stated qualifications that much of what was discussed therein was impracticable of accomplishment. The comparison of the Canadian Pacific estimate with figures taken from an estimate bearing such qualifications can add nothing to the validity of the Canadian Pacific evidence. Rather it would indicate that the same criticism of impracticability applies to the Canadian Pacific estimate but with even greater force because of the more drastic nature of the Canadian Pacific proposal as evidenced from its larger dimensions.

As I have already stated to the committee, the Canadian Pacific estimate can be divided into two broad classifications: In one the estimated savings are based upon drastic reductions in the quantity and quality of railway service, typified by abandonment of lines, closing of terminals, railway shops, engine houses, etc., and a reduction of railway service both in quantity and quality to suit the requirements of railway economy without consideration of the practicability of these measures. The Canadian Pacific memorandum in rebuttal denies the force of this criticism in general terms, but if the denial is to be taken as having any weight, why should the Canadian Pacific continue in a refusal to disclose the physical details of just what is contemplated? If, as stated by the C.P.R., the proposals will mean improved service at less cost, why should not the communities affected be told what is contemplated? It would then be possible to judge whether the opinion of the Canadian Pacific officers as to what constitutes adequate service to the country would be in accord with the views of industry and of the communities affected.

In the other broad classification of the \$75,000,000 estimate the estimated savings arise from the applying Canadian Pacific unit costs to Canadian National operations which is also fallacious. The Canadian Pacific statement in rebuttal, namely, that Canadian Pacific costs "were not applied to Canadian National operations but to a new unified system" is simply a play upon words because conditions do not change with names and the problems of operation which confront the Canadian National Railways would likewise confront a unified operation to the extent that

Canadian National properties were included. It is possible, of course, that the Canadian Pacific Railway estimate is based upon drastic reductions in the quality and quantity of service carried on by the Canadian National as a public service although necessarily conducted at a loss.

The statement contained in the rebuttal that the differences in the physical characteristics, traffic and operating problems between the two systems "are compensating or in total are unimportant," will not carry conviction to anyone who has a knowledge of the historical development of the Canadian National and of the special problems which confront it in rendering pioneering and national transportation service to much of Canada, and but serves to demonstrate the general unsoundness of the Canadian Pacific estimate.

I have expressed my views as to the unsoundness, inaccuracy and impracticability of the Canadian Pacific estimate. I also desire to express my profound conviction that an attempted solution of the railway problem based upon an expectation of the realizability of savings of this magnitude would be doomed to failure because savings of anything approaching these figures can not be obtained if due regard is had to consideration of public interest, which is the final and conclusive test of practicability and is the test applied by public authority before consent is given to line abandonments or to the degradation of services to the public. Another important factor as affecting public interest is the undoubted fact that drastic reductions in railway service carries with it drastic reductions in railway payrolls. Inasmuch as 60 per cent of railway operating expenses are for direct labour, at least 40 millions of dollars in the estimate of \$75,000,000 would be represented by reductions in payrolls, which, accompanying the drastic reduction in service, would further adversely affect the communities. Public interest can never be reduced to the confines of an estimate prepared by railway technicians however expert they may be but, on the contrary, must necessarily be determined by public authority. I again allude to the refusal of the Canadian Pacific Railway to tell the Committee and the country just what is contemplated to be done as affecting specific communities and specific services. I am satisfied that such an exposure would demonstrate the same impracticability as was so clearly demonstrated in the case of the Canadian Pacific program of line abandonments, which was put to the forefront of the private C.P.R. submission to the Royal Commission on Transportation, but which, after the expressions of disapproval which followed its exposure before the Senate Committee, has now been set aside as a serious proposal.

While I think that no good purpose would be served by a further discussion of the Canadian Pacific estimate in the absence of disclosures of just what is contemplated, the officers of the Canadian National, are available to the Committee for the purpose of giving evidence should this be desired.

Yours faithfully,

(Signed) S. J. HUNGERFORD,
President.

Right Hon. Mr. MEIGHEN: That is the statement Mr. Hungerford asked that Mr. Fairweather be allowed to explain.

Hon. Mr. DANDURAND: No, it is a statement which was just produced, I think, last week.

Hon. Mr. MURDOCK: It just came the other day, and was put in the record.

Right Hon. Mr. MEIGHEN: It is just the same as what he said before.

Hon. Mr. DANDURAND: It is expressing the views of the Canadian National Railways on the matter.

It is unfortunate that my right honourable friend touched upon the continuation of the work on the terminal in Montreal. That matter was just broached here. There was a desire by the Canadian Pacific that the matter of the Union Station should be discussed before this Committee. I may say that there was always a question in my mind as to the reason why the C.P.R. was so much opposed to the Canadian National continuing its work on a central station for its own needs and benefit. I had the impression that the Canadian National system, widespread though it may be, which concentrates in Montreal, occupied such an inferior position to the Canadian Pacific Railway that the Canadian Pacific was not very much interested in what its rival was doing towards having a decent terminal in the city of Montreal by the side of its own immense block on St. Antoine street and down Windsor.

I must admit I was surprised at the considerable effort made by the Canadian Pacific to prevent the Canadian National from having a decent terminal station in Montreal. In one of the organs close to the Canadian Pacific—I am speaking not of the official mouthpiece, the Montreal Gazette, but the Montreal Daily Star—I found some reasons were set out why the Canadian Pacific was interested in examining the Montreal terminal. Of course, it started by saying, "The Canadian Pacific is our largest single taxpayer." As to that frequently made statement, it is true that the Canadian Pacific is a large taxpayer, and the taxes it pays help to maintain a national railway system which serves the country. To that extent the Canadian Pacific contributes to services which the Canadian National is rendering the country at large. But among the reasons given by the Montreal Star on Wednesday, May 3, as to why the Canadian Pacific should have a say in the Canadian National's terminals at Montreal, was this amusing one:—

It is bound to be a body-blow to the Canadian Pacific Railway, which will be faced with the unfair competition of a new, modern and lavishly equipped terminal at the disposal of its rival only, but a terminal paid for by the taxpayers of Canada, including the C.P.R. as the largest contributor.

That seemed to be an admission that the Canadian Pacific Railway was not very much interested in the Canadian National's having a decent terminal station in the city of Montreal. The rivalry between the two roads was one of the reasons why the Committee decided not to go into the question of the Montreal terminal, which in future could be used as a union station if the Canadian Pacific so desired.

I draw attention to the conditions under which unified management would operate. All the advantages of unified management are predicated upon independent action by a corporation composed of five representatives from the Canadian Pacific, five from the Canadian National and five members chosen by those two groups. But I wonder if the matters coming before that body would not reflect to some extent the thoughts and actions of the Parliament of Canada. It seems to me that the right of Parliament to look into the administration of an immense system of railways serving every part of the Dominion could not be denied. I have said that I did not doubt savings could be more easily effected under unified management. I think we all agree as to that. But we are confronted with the situation that unified management would lead inevitably to amalgamation, because no serious economies or savings could be made except by unifying the whole administration of the two railways physically. The president of the Canadian Pacific admitted that once the two railways had been operated together, say for a term of ten years, it would be impossible to unscramble them except by wiping out all the savings that had been made during the period. Mr. Ruel said here some years ago that if unification were put into effect a large annual reserve should be set aside against the day when it was decided to reconstitute the railways into two separate systems. Sir Edward Beatty stated

it was not contemplated that the railways should ever be unscrambled after they had once been brought together. I do not think any member of this Committee would deny that if the railways were operated under unified management for a number of years they would become as a single unit which could not be unscrambled. The situation was discussed by the Duff Commission. Sir Joseph Flavelle, Mr. Loree of New York and Mr. Beaudry Leman of Montreal asked what would happen if Parliament decided that the unified railways should be separated. There was an indication in their questions that they felt if there were a union of the two systems, with representatives of the privately owned company striving, quite properly, to make dividends for its shareholders, and representatives of the other company obliged to look at matters from the point of view of public service, a time would come when Parliament would say that the union should be dissolved.

If this Committee, or any part of this Committee, decides that unified management is the best solution, it must face the fact that that would result in future amalgamation of the two systems. I cannot see how that conclusion can be avoided. And I am convinced that unified management would lead to amalgamation under state ownership, because it is inconceivable that the Canadian people would give over their national railway for administration by the Canadian Pacific.

In these circumstances I am not surprised that the people of Canada, as represented by their delegates in the House of Commons, seem to be fairly unanimously opposed to the idea of unified management. As they see it, unification would be tantamount to amalgamation. That is why the tentative report which I submitted to this Committee urges that the two railways take advantage of the opportunity of working out their own salvation by utilizing the arbitration facilities placed at their disposal under the Act of 1933. As we know, these facilities have not been utilized. I am thinking more especially of the Canadian Pacific, because it has a freedom of action not possessed by the Canadian National, which belongs to the state and is under the direction of Parliament. If the Canadian Pacific realizes that the only way open to it to attain reduction in expenditures is by close co-operation with the Canadian National, it can have that co-operation. A decision has lately been arrived at to pool all passenger trains which are competitive. That will mean a considerable economy—I do not know if figures have been quoted—in the operation of passenger trains from the Atlantic to the Pacific. That decision gives ground for hope that economies can be made in other ways on a larger scale, if there is the will to do so.

It is true that the first victims of co-operation will be the employees. But in the Senate we have just passed a Bill, which came to us from the House of Commons, to compensate employees who are dismissed or demoted because of co-operative measures. I know there are some employees who say, "We do not want co-operation or unified management, because we desire to retain our positions." I wish to state to employees of the Canadian National as well as of the Canadian Pacific that these two immense railway systems have been built, not for the employees, but for the public. In the circumstances, the employees must accept the inevitable. I think they will be treated very fairly by being compensated under the provisions of the Bill to which I have referred. When my honourable friend Senator Beaubien, one of the Chairmen of this Committee, suggested that the Committee should continue its labours this session, I advocated an amendment to the Canadian National-Canadian Pacific Act so as to protect such employees along the line of the Bill which we have just passed. In the light of these factors it seems to me we should be taking a doubtful step if we declared ourselves in favour of unified management. A number of my right honourable friend's colleagues have repeatedly said we are incapable of forming

a conclusion upon the evidence, that the figures presented to the Committee are such that it is impossible for us to decide what our action should be; and they have suggested that experts be engaged to make a study of those figures.

Right Hon. Mr. MEIGHEN: That is not quite right. I think I know to whom the honourable leader refers. What he said was: We were incapable of estimating as between the two lines of evidence what the savings would be, and that we should have experts to tell us just what economies could be effected. But he did not tell us what to do.

Hon. Mr. DANDURAND: But it is evident their state of mind is that with the evidence before them they are incapable of reaching a conclusion as to what is the best system, unification or co-operation.

Right Hon. Mr. MEIGHEN: No.

Hon. Mr. CALDER: The honourable gentleman is evidently referring to me.

Hon. Mr. DANDURAND: Well; one of them.

Hon. Mr. CALDER: I take the reference directly to myself. I gave my reasons as to why I thought the committee should have definite figures before them upon which they could safely judge. But it does not require any experts to convince me from the evidence that has been submitted that very large savings could be made. I am put in a position where I must use my best judgment on the evidence before us. I must weigh that evidence, consider where it came from in both cases, and apply the very best judgment and common sense I have to what the decision should be on the matter that has been referred to us, namely, as to the best method that can be devised for a certain purpose. I did not say there is no evidence before us. All I did say was that by the action of a majority of this committee the committee itself has been led into a position where it is very difficult to know what savings could be made. But, as I say, I have not any doubt in my own mind from the evidence itself that very large savings can be made.

Hon. Mr. MURDOCK: What about real co-operation? We have never had it.

Right Hon. Mr. MEIGHEN: And we are not going to get it.

Hon. Mr. CALDER: You never will have it.

Hon. Mr. MURDOCK: I think you are right.

Hon. Mr. DANDURAND: I am not of that conviction. I believe that real co-operation, enforced co-operation, under the Act of 1933 will bring very interesting returns in economy. The difficulty has been that when the two railways came together they stopped at some important savings because they were not quite sure they were getting fair compensation for the advantage that would accrue to the other company under a certain suggestion.

Hon. Mr. CÔTÉ: Are you not afraid that enforced co-operation will lead to amalgamation? When Parliament or Government interferes with the physical assets of a private company, is it not likely to be asked later on when things do not go well, "You have ruined us by your interference with our private property. You pay us compensation." That would lead to amalgamation. I am afraid of that, and I should like you to discuss it.

Hon. Mr. DANDURAND: My honourable friend when listening to my statement yesterday no doubt noticed that I had that consideration in mind when I said that it appertained to the two railways—I should say to the C.P.R. more than to the Canadian National—to agree to a referee or to an arbitral board for the solution of the difficulty that when they come to a certain point they stop. Under the Act, as I said in my statement yesterday, one of the parties is directed to ask that the arbitral board should be set up. Neither company has done so. I believe it is the duty of the Canadian Pacific and the Canadian National to submit their difficulty to an arbitral court.

Hon. Mr. CÔTÉ: Under your scheme who would have the initiative to start co-operation?

Hon. Mr. DANDURAND: Any one of the two railway systems can do so.

Hon. Mr. CÔTÉ: I mean there would be no enforced inception.

Hon. Mr. DANDURAND: Oh, yes. Once they agree to go before the arbitral court, then they must accept the decision of that court—a court which they themselves have set up and in which they are represented.

Right Hon. Mr. MEIGHEN: They did not set it up themselves, Parliament set it up.

Hon. Mr. DANDURAND: Yes, Parliament set it up. From the outset the Canadian Pacific resisted the suggestion that their charter rights be invaded, and that the decision should be imposed upon them which would affect their own situation. But that was in 1933. We are now in 1939, and we know from the annual statements of the C.P.R. that they are no longer paying 10 per cent to their common shareholders; they do not even pay any dividends to their preferred shareholders. That being their situation, necessity should bring them to accept the instrument which was given them by Parliament in 1933, in order to try to work out their own salvation. "Oh," they say, "unified management would be much easier." It would in a certain sense be easier. But in 1933 Parliament said nay. If Parliament were asked to-day I believe it would say nay again, and I am convinced that a majority of the Senate would say nay if consulted to-morrow on the reports which have come before us.

Now with the House of Commons virtually unanimously against it, the C.P.R. should realize the situation. I confess that in 1932 and 1933 I wondered what effect the Canadian National-Canadian Pacific Act would have upon the relations of the two railways. But, as I say, we are now in 1939, and I am convinced that to-day the Canadian Pacific realizes that even if it waits for a new Parliament it would then meet with the same situation, and must resign itself to working out its salvation under the Act of 1933. As to the Canadian National, I submit it is their duty, and the Parliament of Canada should reaffirm that duty to the Canadian National, to work in close co-operation with the Canadian Pacific to try to lessen the burden upon the Canadian taxpayer.

Hon. Mr. HARDY: I am not able to find in the Government leader's report any definite and unequivocal recommendation that this compulsory board of arbitration shall be set up at once and be organized in such a way that it will have powers to get to work immediately, and that it must do so. The nearest thing to it I find near the top of page 11:—

That, in the opinion of the committee, offers the only practical course looking to the improvement of our present railway difficulties.

That, as I say, is the nearest thing I can find to anything like a recommendation that this board of arbitration or referee should be set up. True, further down towards the end of the next paragraph I find the following:—

This provision of the Act has never yet been set in motion, though it may be invoked at request of either company. There, ready at hand, is all the legislation necessary to give effect to the committee's recommendation—

and so forth. That machinery has been there, strange to say, during almost two Parliaments. The legislation was introduced by the Bennett Government, and the present Government has been in office three years. I do not see in this report any recommendation that the arbitral board so provided for must be set up. Until something much more definite is embodied in this report, I cannot be a signatory to it.

Hon. Mr. DANDURAND: I would say this in answer to my honourable friend. Beginning at page 10 he will find the following:—

In the opinion of the committee it is in the interest of the railways and of business generally that the uncertainty resulting from the Canadian Pacific agitation for unification be ended by frank recognition of the fact that unification of the railways is not possible of adoption, and that further and more serious attempts should be made to give effect to the letter and the spirit of the Canadian National-Canadian Pacific Act of 1933, the two railways to agree between themselves to a referee—preferably the Chairman of the Board of Transport Commissioners—for the adjustment of such differences as may arise concerning co-operative policies. That, in the opinion of the committee, offers the only practical course looking to the improvement of our present railway difficulties.

The committee is of the opinion that this adjustment of differences with respect to co-operative measures can be accomplished within the confines of the 1933 Act which, for the purposes of effecting economies and providing for more remunerative operation, directs both railways to agree, and continuously to endeavour to agree, upon such co-operative measures, plans and arrangements as are fair and reasonable and best adapted to effect such economies. As to the selection of a referee, the legislation provides that the Chief Commissioner of the Board of Transport Commissioners shall be presiding officer of any arbitral tribunal, to which each railway shall appoint a representative, and on matters of sufficient importance two additional members may be appointed by the President of the Exchequer Court, or a judge of the Supreme Court of Canada. This provision of the Act has never yet been set in motion, though it may be invoked at request of either company. There, ready at hand, is all the legislation necessary to give effect to the committee's recommendation that the Chief of the Board of Transport Commissioners act as referee in the event of either railway company declining to consider a co-operative proposal emanating from the other railway.

I think that is a recommendation to the effect that the compulsory arbitral part of the Act of 1933 should be applied. If, however, my honourable friend thinks there should be a more direct and conclusive affirmation on the part of this committee and of the Senate that arbitration be made compulsory, which implies that the Canadian National would be more especially the railway to obey the directions of the Parliament of Canada, I have no objection to it. As it is now past one o'clock, we could perhaps adjourn until to-morrow at noon, and decide as to what we shall do in the presence of these two recommendations.

Right Hon. Mr. MEIGHEN: I do not feel like opposing the suggestions that we should meet to-morrow, but I do not see very much value in it. However, if my honourable friend wishes it, let us meet at eleven, or half-past eleven.

Hon. Mr. DANDURAND: I say that because I know my honourable friend has submitted his statement to some of his colleagues around him. I have not done that, and will do so now.

The Committee adjourned until to-morrow at 11 a.m.

1939

THE SENATE OF CANADA



PROCEEDINGS

OF THE

SPECIAL COMMITTEE

Appointed to

ENQUIRE INTO AND REPORT UPON THE BEST MEANS OF RELIEVING THE
COUNTRY FROM ITS EXTREMELY SERIOUS RAILWAY CONDITION
AND FINANCIAL BURDEN CONSEQUENT THERETO

No. 12

The Right Honourable George P. Graham, P.C., and
the Honourable C. P. Beaubien, K.C.,
Joint Chairmen

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ORDER OF APPOINTMENT

(Extracts from the Minutes of Proceedings of the Senate for March 7, 1939)

Resolved,—That, with a view of completing the inquiry pursued during last session by the Special Railway Committee of this House, and preparing and submitting an adequate report on such inquiry, this Special Committee be re-appointed with a view to inquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, with power to send for persons, papers and records and that the said Committee be re-appointed with the same personnel and, therefore, that it consist of the Honourable Senators Beaubien, Black, Buchanan, Calder, Cantley, Coté, Dandurand, Graham, Haig, Hugessen, Horsey, Jones, Hardy, McRae, Meighen, Murdock, Parent, Robinson, Sharpe, and Sinclair.

MINUTES OF EVIDENCE

THE SENATE,

THURSDAY, May 11, 1939.

The Special Committee re-appointed to inquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, met this day at 11 a.m.

Right Hon. George P. Graham and Hon. C. P. Beaubien, Joint Chairmen.

The CHAIRMAN (Hon. Mr. Beaubien): Gentlemen, before we proceed I should like to read a letter from Colonel Biggar, addressed to the committee, in which he says:—

The taking of evidence having been completed, I assume—I hope correctly—that the committee will not desire my further attendance at its meetings. I am of course, however, at the committee's disposal, and shall arrange to attend at once upon being notified by telephone at any time this week that the committee desires me to be present.

Do you think it necessary, gentlemen, that he should be present?

Hon. Mr. DANDURAND: We do not need Mr. Biggar's further attendance. We are about to deal with the adoption of our report.

Some Hon. MEMBERS: Agreed.

The CHAIRMAN (Hon. Mr. Beaubien): Very well.

Hon. Mr. DANDURAND: Mr. Chairman, it will be remembered that Hon. Mr. Haig asked for certain information from the Canadian National. I take it for granted that a statement containing the required information has been filed. Right Hon. Mr. Meighen asked that a distinction should be shown between new lines and old lines, and I will see that a supplementary statement is prepared and filed. Is that agreeable?

(To be marked Exhibit No. 107.)

Right Hon. Mr. MEIGHEN: That is all right.

Hon. Mr. DANDURAND: Mr. Chairman, it is now my duty to present for adoption the report which, when I read it to the committee last Tuesday, I described as a tentative report for study and modification or amendment. No amendment of such material importance has since been suggested as to justify my altering its terms.

Yesterday my right honourable friend gave us what he thought should be the attitude of this committee. I do not know whether he intends to move in amendment to my report the substitution of his report. I am in his hands as to what should be the procedure. My view of our procedure is that no minority report can be presented to the Senate. Naturally, whatever report we decide to adopt is presumed to embody the views of the majority of the members of this committee; but of course those who may not be satisfied with the report of the majority can always move in the Senate to amend the report in accordance with their views.

I should dislike very much to see this committee divide on what used to be known as party lines. In the Senate I have always tried to reduce to a minimum any differences between the political parties, for I regard our House as a revising body standing aloof from the political differences that characterize the other House. For this reason I should very much regret to see in

this committee a division on what would be called party lines. That is why I say I am in the hands of my right honourable friend as to what should be our procedure.

As I close, may I say that after an amicable discussion he and I came to this committee with the hope that we would focus our attention upon the problem before us and lift it above any party differences. To that end my right honourable friend suggested that we appoint to the committee ten members who adhere to the Liberal faith and ten members who adhere to the Conservative faith. We owe that to the magnanimity of my right honourable friend, who felt we should regard this matter from such a high plane that party differences would neither be accentuated nor enter into our discussions. Therefore I make this acknowledgment to him and express my readiness to accept whatever procedure he may judge to be proper in the adoption of this report. My right honourable friend may move an amendment to my motion, or we can pass this report on division, or we can poll the members in order to ascertain how the committee stands. I am absolutely in his hands as to the form of our procedure. Whatever he may decide will be my law.

I move that this report be presented to the Senate by the joint chairmen as the action of this committee.

Right Hon. Mr. MEIGHEN: Mr. Chairman, I will not discuss this report or the alternative one which I read yesterday. What the honourable leader of the House has said as to his conversation with me is entirely correct. My suggestion is this. We cannot, I think, rightly avoid a very frank declaration of where each member stands on the report which the committee makes, for it is too important a difference and too important a report to do otherwise. I think we should vote on this report.

I would state very frankly where we stand on this side. On the adverse side—I believe I speak for all—I do not think anyone agrees with this report, nor do all agree with the alternative report, which I think should be made and which I read to the committee yesterday; but all have signified their intention of acquiescing and signing the alternative report, with the exception of Senator McRae, whose views were very clearly put before the committee a few days ago. That of course goes to the public as the real division of opinion.

I think we should just take a division on this report. It is true that we here are not fully represented. Three of our members are absent; of these Senator Côté is not in any too good health, Senator Sharpe is not able to attend, and Senator Cantley has had to go home. As far as we are concerned, nine of us stand for the alternative report, and one is opposed to it as to certain features. That is the situation. I think the procedure suggested by the honourable leader of the House should be followed. I had not thought of the rule that there cannot be a minority report. But that is only a matter of form. The committee makes its report to the Senate, and then those who think differently can move in amendment: "that the words after 'that' be omitted and the following substituted therefor."

As is generally known, no one holds more strongly than I do an aversion to party lines in the Senate. Whatever may be said, no one on this side is debarred from that attitude. There is no change in the attitude of the leader of the party. I have every regard for those who differ from me in this respect, but because of the evidence before this committee we are compelled to make that division clear and unmistakable.

Hon. Mr. MURDOCK: Don't you think, Senator Meighen, it is rather a misfortune that we on this side have not had an opportunity to read your report except as it appeared in the press?

Right Hon. Mr. MEIGHEN: I read here yesterday.

Hon. Mr. MURDOCK: I do not know that it matters now.

Right Hon. Mr. MEIGHEN: It is all in the record. If anyone wants a copy of our report I will have it ready for him. I want it to have the fullest possible circulation.

Hon. Mr. MURDOCK: My friend Jack Haig yesterday furnished the press very freely with copies, but he did not favour us with any at all.

Hon. Mr. HAIG: You cannot get away with that statement. I followed exactly the course of the leader of the Government when he made his report. But he did not even hand Mr. Meighen a copy. On the other hand, when Mr. Meighen got up and read his report I handed a copy to Senator Dandurand.

Hon. Mr. MURDOCK: We all had a copy.

Hon. Mr. HAIG: Next day, but it was in the minutes of our proceedings. Don't make a statement like that, Mr. Murdock.

Hon. Mr. DANDURAND: My honourable friend will remember I was waiting for him.

Hon. Mr. HAIG: Yes.

The CHAIRMAN (Hon. Mr. Beaubien): It is my duty, gentlemen, to submit to you the report of the leader of the House—

Hon. Mr. HARDY: Mr. Chairman, I find myself in a difficult, perhaps an embarrassing position from one standpoint. I am not able to support the report that has been brought in by my honoured and revered leader. I am fully in accord with the principle that he has laid down, but in spite of the fact that he has done his best to explain to my satisfaction that he has made recommendations, I am not able to find any clear-cut, concrete or unequivocal recommendations in the whole of that document. I explained this yesterday.

It is my duty, I suppose, to bring in an alternative report, but I think it would be presumptuous for one person in a large committee like this to set himself up and bring in a recommendation as to something on which, perhaps, he is not qualified to express himself fully. In that way I would seem to be setting myself up against the Committee. But until this report has something clear-cut and unequivocal in it, I cannot support it.

Hon. Mr. DANDURAND: On what point?

Hon. Mr. HARDY: I do not propose to go into the whole matter now, because it would practically raise the whole issue. I am quite in favour of the principle of the report, on its review of what has been given to the Committee; but I do not find any recommendation by which compulsory arbitration or compulsory co-operation shall be brought into force; and that being the case, I am not able to support it.

On the other hand, I am not able to support the principle of the report brought in by the right honourable gentleman (Right Hon. Mr. Meighen); but I am going to pay him this compliment, and say that what recommendations he did bring in left no question. They were deliberate, they were unequivocal, they were concrete. Anyone who wished to work on that report would have everything laid out before him.

The report before us simply means that we are asked to have the machinery set up under the statute approached in a more serious way. My idea would be that we should approach with a pistol in each hand and see that compulsory arbitration is brought in. If I had time and the Committee had time I might be able to make suggestions as to how some form of compulsory arbitration should be brought in.

From the evidence laid before us last year we can see that each of the companies is exceedingly delicate about the matter of dragging its rival company before a compulsory board. The C.P.R., of course, have the right to appoint their own officers, and the Government has no voice in that. But it has a voice in the appointments of the Canadian National. Whether this

report is correct in laying the blame for lack of co-operation almost exclusively on one railway—the C.P.R.—is a question. I am not prepared to say that I could not see the same disinclination on the part of the Canadian National to take up the matter of compulsory arbitration. I think Mr. Fairweather dealt with that. What I gathered from the whole thing, without going into detail, was that each company was rather delicate about dragging the other company before the compulsory board. If that is to be the case, we are going to be in the same position for all time to come. If one railway does not want compulsory arbitration and the other is very loath to compel that railway to appear before the court, we are going to continue to be in the same position we have been in for the past ten years.

Naturally I am a party man, but in this matter I am not going to let party have any influence on my action. As I say, I am in favour of the report so far as the principle of compulsory arbitration is concerned, but I cannot fall in and support the report by reason of the fact that it contains no recommendation as to the enforcement of its principle. As to the other report, I am opposed to the general principle of unification.

Hon. Mr. DANDURAND: I do not suppose I need to emphasize the difference between my honourable friend (Hon. Mr. Hardy) and myself. It is that this report does not go far enough in the way of compulsion. I have taken very good care not to suggest further legislation on that point. I have first stated that, to my mind, it is the duty of the two companies to find a referee to decide between them when there is a difference of opinion, and I have cited the Act of 1933, which contains the principle of compulsion by allowing one of the parties to force the other to come before an arbitral court. I have stopped there in my report. I have indicated to the railways what I believe to be the only procedure they can adopt to obtain results. I know that the Canadian National and the Canadian Pacific are in very great need of obtaining results towards economies, and under those conditions that is all I suggest. I do not say that if it appeared to Parliament at a further session that sharper teeth should be put into the Act I would not be prepared to support such a view; but I stopped at the Act itself, which contains the principle of coercion or compulsion with respect to the arbitral courts.

This is the only difference between my honourable friend (Hon. Mr. Hardy) and myself, and I am very glad that he expressed his opinion. With this explanation I ask that the Committee vote on the question.

Some Hon. SENATORS: Question!

Hon. Mr. HUGESSEN: I have just one word to say. I am in complete agreement with the draft of the report in general as submitted by my leader, but there is one place, or perhaps there are two places, in the report where I think there is a somewhat unfortunate implication which, in my opinion, is not altogether justified by the evidence adduced before us. I refer, first, to page 5 of the typewritten report (page 450 of the printed report), and secondly, to page 10 of the typewritten report (page 452 of the printed report), where there might be some implication that the campaign carried on by the head of the Canadian Pacific Railway for unification has induced that railway not to co-operate as actively as it might have done in certain schemes to effect savings. I think that was pointed out by the leader on the other side (Right Hon. Mr. Meighen) yesterday.

The paragraph in the middle of page 5 of the typewritten report (page 450 of the printed report) reads as follows:—

The establishment of this Committee followed a campaign of propaganda on behalf of unification which has grown in intensity since the recommendations of the Duff Commission were placed upon the statute book. This campaign of propaganda has not only hampered the work-

ing out of co-operative arrangements but has also obscured the underlying problem.

Then on page 10 of the typewritten report (page 452 of the printed report) there is a similar reference:—

The recommendations thus referred to were embodied in the Statutes of Canada, but their working out has been thwarted and impeded by a desire of one of the railways to impose upon the people of Canada a policy—

and so on.

It does seem to me that that is perhaps an implication which is a little unfair in view of the evidence brought before us. I would have appreciated an opportunity to examine this wording and to suggest a few alterations. The way I would like to put it is this:—

Though no evidence was produced before us tending to show that either of the two railways attempted to delay or impede co-operative action under the 1933 Act, we feel that in the very nature of things co-operation has been made very difficult to achieve while one of the parties has been engaged in a vigorous campaign to convince the public that the results of co-operation will be negligible and that unification is the only practical solution.

That, in my view, is the effect of the evidence that was placed before us in that regard, and I think it is a little unfortunate that we should go any further. My suggestion with regard to the phrase on page 10 of the typewritten report (page 452 of the printed report) would be that instead of saying "That out of these recommendations has been thwarted and impeded," we should say "has not been assisted by a desire of one of the railways to impose a policy."

Right Hon. Mr. MEIGHEN: It has the same effect.

Hon. Mr. HUGESSEN: It has the same effect, but the inference is different.

Right Hon. Mr. MEIGHEN: The implication is still there. The implication is that there has been a more co-operative attitude on the part of one railroad than there has been on the part of the other.

Hon. Mr. HUGESSEN: No. I do not think so. I would not think there was any implication of lack of desire to co-operate on the part of the C.P.R.; but I think we have to realize that the very nature of the circumstances—their president carrying on this campaign—have made it difficult for the two railroads to co-operate.

That was my point, and I had intended to suggest that the wording of the two phrases be modified.

Hon. Mr. DANDURAND: The criticism of my honourable friend on this very point could have been met by some modified phrase, and I had thought he would suggest it, but he did not do so. I have had no opportunity to discuss with my colleagues individually the form of this report. When I heard my right honourable friend yesterday or the day before mention these two points which have been raised by Senator Hugessen, I was disposed, and I am disposed now, to accept the modification suggested. If that is all there is between us, the suggestion meets with my views. I did not intend to say that the work had been hampered but that the psychology of the situation had been affected by the campaign which was being carried on, and that this tended to discourage any serious action between the two railways. That is the view I had in mind. I prepared this document hastily, and when my right honourable friend drew my attention to the implication that there had been some difference in the zeal of the two railways, it was not my intention to convey that impression. Perhaps my honourable friend will communicate his amendment to the Chairman. I must say that I tried to reach Senator Hugessen last evening but could not do so. He had flown from the Committee.

Hon. Mr. HUGESSEN: The suggestion that I have is that the first two sentences in the paragraph starting at the middle of page 5 in the typewritten copy of the report (the second paragraph on page 450 of the proceedings) be changed to read as follows:—

The establishment of this Committee followed a campaign of propaganda on behalf of unification which has been carried on by the President of the Canadian Pacific Railway since the recommendations of the Duff Commission were placed upon the Statute Book. Though no evidence was produced before us tending to show that either of the two railways attempted to delay or impede co-operative action under the 1933 Act, we feel that in the very nature of things co-operation has been made more difficult to achieve while one of the parties has been engaged in a vigorous campaign to convince the public that the results of co-operation will be negligible and that unification is the only practical solution. We feel further that this campaign of propaganda has obscured the underlying problem of the adjustment of the railway industry . . . and so on. The rest of the paragraph would read as now.

Hon. Mr. DANDURAND: Have you written out that amendment?

Hon. Mr. HUGESSEN: Simply on my own copy.

Hon. Mr. DANDURAND: Is that the only amendment you suggest?

Hon. Mr. HUGESSEN: The other amendment I propose is the substitution of three or four words in the third line of the paragraph which starts at about the middle of page 10 of the typewritten copy of the report (second line of fourth paragraph on page 452 of the proceedings). That paragraph begins in this way:—

The recommendations thus referred to were embodied in the Statutes of Canada, but their working out has been thwarted and impeded by a desire of one of the railways to impose upon the people of Canada a policy rejected by the Duff Commission . . .

The only change I suggest there is that the words "been thwarted and impeded" be stricken out and replaced by "not been assisted," to make it read: "but their working out has not been assisted by a desire of one of the railways" and so on.

Hon. Mr. DANDURAND: Is that all?

Hon. Mr. HUGESSEN: That is all, on those points. I am sorry to take up the time of the Committee, but I have one further suggestion. It is that after the first paragraph on page 8 of the typewritten copy of the report, about nine lines down from the top of that page (end of second paragraph on page 451 of the proceedings), which paragraph ends with the words "more thoroughly ascertained," the following be added:—

In any event your Committee feels that the facts which it has brought to the knowledge of the public as to the slow progress of co-operative plans to date have had a valuable effect in stimulating both railway systems to further efforts in this direction. We have recently been advised that a number of important plans for co-operation are now under study, including a proposal for a complete pooling of all competitive passenger train services throughout the country which offers an opportunity for important economies.

Hon. Mr. DANDURAND: I have no objection to that amendment.

Right Hon. Mr. MEIGHEN: Was there something in the evidence about that a year or so ago?

Hon. Mr. HUGESSEN: No. That was in the evidence this year.

Right Hon. Mr. MEIGHEN: I did not hear it this year. That is why I asked.

Hon. Mr. HUGESSEN: Oh, yes, it was in the evidence this year. The proposal developed since we began our sittings this session.

Right Hon. Mr. MEIGHEN: My prediction is that it will be in next year's evidence, too.

Hon. Mr. HORSEY: Mr. Chairman—

Hon. Mr. DANDURAND: Has my honourable friend any objection to these amendments?

Hon. Mr. HORSEY: No.

Hon. Mr. DANDURAND: Should we not first decide whether we wish to adopt those amendments to the report?

Hon. Mr. MURDOCK: I think that last proposed amendment is absolutely unfair, because it refers to a long list of suggested plans for co-operation that will never be made effective. I think we ought to know that. The other day we adopted in the Senate a provision that, in my judgment, will make it absolutely impossible to put into effect those plans that were laid before us.

Right Hon. Mr. MEIGHEN: Hear, hear.

Hon. Mr. MURDOCK: That is my judgment. I think that to adopt this amendment would be to hand out to the public of Canada a milkpail of pretence that something is going to be done, when, if we have ordinary railroad judgment, we know nothing is going to be done. That is why I object to the last amendment. As to the others, if you want to pussyfoot and not tell the truth, I have no objection to them.

Hon. Mr. DANDURAND: Only time can tell whether my honourable friend's prophecy is sound. I move the adoption of these amendments by Senator Hugessen.

Hon. Mr. SINCLAIR: Will you read the last amendment again, Senator Hugessen?

Hon. Mr. MURDOCK: And will you go slowly, please, so that we can get it down?

Hon. Mr. HUGESSEN: Yes, I will read slowly, and I will endeavour not to pussyfoot. I suggest that after the first paragraph on page 8 of the typewritten copy of the report (second paragraph on page 451 of the proceedings), which ends with the words "more thoroughly ascertained," the following be added:—

In any event your Committee feels that the facts which it has brought to the knowledge of the public as to the slow progress of co-operative plans to date have had a valuable effect in stimulating both railway systems to further efforts in this direction. We have recently been advised that a number of important plans for co-operation are now under study, including a proposal for a complete pooling of all competitive passenger train services throughout the country which offers an opportunity for important economies.

Hon. Mr. MURDOCK: If my honourable friend would cut out the last sentence I should be wholeheartedly with him. But the last sentence is a pretence.

Hon. Mr. DANDURAND: That is pessimism on the part of my honourable friend.

Hon. Mr. HAIG: It is railroad common sense.

Hon. Mr. DANDURAND: I hope for better things.

Hon. Mr. SINCLAIR: I think that last sentence, in regard to the pooling of passenger services, should not be included. In the evidence given by Mr. Fairweather you will find a statement that to pool the passenger services over the whole country would entail a capital expenditure of \$200,000,000.

Hon. Mr. MURDOCK: No; \$2,000,000.

Right Hon. Mr. MEIGHEN: A small difference.

Hon. Mr. SINCLAIR: It is a large difference, but I have it in mind that he said \$200,000,000. Why, \$2,000,000 would not begin to build the terminals that would be required for pooling the passenger services.

Hon. Mr. DANDURAND: I may tell my honourable friend that the two railway companies have been studying, for a considerable time,—

Hon. Mr. McRAE: Six or seven years.

Hon. Mr. DANDURAND: —the pooling of passenger trains throughout Canada. As we all know, they have already pooled trains between Montreal and Toronto, Montreal and Quebec, and Montreal and Ottawa. Now they have agreed on the principle of pooling passenger trains on all competitive lines. For a certain number of months—I am now speaking from personal knowledge—there was no agreement, because of a difference of opinion between the two railways as to whether the pooling of passenger trains should be limited to competitive lines or extended to all lines. But at last the railways have agreed on the principle of pooling passenger trains on all competitive lines. In working out that principle the railways will have the benefit of experience gained in pooling on the lines to which I have already referred. They know what savings have been made by the pooling that has been put into effect so far, and they are now going to extend the pooling to all competitive passenger trains. Would anyone here advise the railway companies that they should proceed no further with that plan, which they have carried forward so far with success?

Right Hon. Mr. MEIGHEN: If they are getting on so well, would it not be better for my honourable friend to strike out of his proposed report any suggestion that the campaign for unification has been hindering progress?

Hon. Mr. SINCLAIR: There is no question about the truth of that.

Right Hon. Mr. MEIGHEN: Maybe not. I do not know. As to the future, I am pretty much in agreement with Senator Murdock.

Hon. Mr. DANDURAND: As to the past, we know very well that the Canadian Pacific Railway and its President have for years and years been carrying on a campaign for what Sir Edward Beatty was pleased to call his pet scheme.

Right Hon. Mr. MEIGHEN: But in one breath my honourable friend says that is hindering co-operation, and in the next breath he tells us how well co-operation is succeeding.

Hon. Mr. McRAE: Perhaps it would be out of line for those of us on this side to offer suggestions on this point to Senator Dandurand. I think it would be "infra dig" for members on this side to vote on these amendments. After all, it is a family affair. Let them settle it over there.

Right Hon. Mr. MEIGHEN: I am inclined to agree with you.

Hon. Mr. HORSEY: Mr. Chairman, I must confess I had hoped there would be more teeth in that part of my leader's report with regard to compulsory co-operation. After the evidence that was presented to us this year and last, I think no member of the Committee is satisfied with the amount of savings made so far under co-operation. We know that Sir Henry Thornton recommended very definitely and strongly to the Duff Commission that there should be a tribunal which would enforce co-operation where it was deemed necessary. He was a great railway executive, a man of very wide experience, and he believed there was no other method by which reasonable and material co-operation could be brought about. Our leader says that even at this late hour it would be preferable to have voluntary co-operation, if it could be made satisfactorily effective. I am prepared to support the report on that understanding. But if conditions continue further as they have been, without any real co-operation being put into effect, or real savings being made, I will certainly favour what

Sir Henry Thornton advocated: a tribunal which, when it believed that savings could be made under a co-operative proposal about which the two railways were unable to agree, would order that the proposal be carried out. Of course, I am not in favour of unification of the railways. That would mean a fusion of parts which could not be unscrambled, and it would tend to bring about finally a monopoly under private control. I am altogether opposed to that.

Hon. Mr. DANDURAND: Mr. Chairman, would you submit the amendments of Senator Hugessen?

The CHAIRMAN (Hon. Mr. Beaubien): Gentlemen, the report submitted by the leader of the House is before you with the amendments suggested by Hon. Mr. Hugessen. Those in favour will please signify in the usual way.

The CLERK OF THE COMMITTEE (Mr. Hinds): For, 7.

The CHAIRMAN (Hon. Mr. Beaubien): Those against will please signify in the usual way.

The CLERK OF THE COMMITTEE (Mr. Hinds): Against, 5.

An hon. MEMBER: No, 6.

Hon. Mr. CALDER: So far as that report is concerned, I do not approve it in principle. It seems to me that a different course should be pursued. I may be wrong. That is the report submitted to this committee by Senator Dandurand. We are not voting on the report.

Right Hon. Mr. MEIGHEN: Yes, we are, for or against it.

Hon. Mr. CALDER: I thought it was the amendments we were voting for.

The CHAIRMAN (Hon. Mr. Beaubien): Oh, no.

Hon. Mr. MURDOCK: We are voting for the report as amended.

Hon. Mr. CALDER: I thought we were voting on the amendments.

Hon. Mr. HORSEY: I did, too.

The CHAIRMAN (Hon. Mr. Beaubien): So there may be no mistake, gentlemen, let us vote again.

The report as amended was adopted: for, 7; against, 6.

The CHAIRMAN (Hon. Mr. Beaubien): Is there any further business?

Hon. Mr. McRAE: Mr. Chairman, I have a suggestion to make. This is one of the major problems before the country, and I suggest that we set a date for the debate in the Senate and carry it on continuously until every member who so desires has had an opportunity to express his views. This course would obviate a disconnected report in our Hansard.

The CHAIRMAN (Hon. Mr. Beaubien): Do you think, Senator, we can decide for the Senate?

Hon. Mr. McRAE: I am speaking to the leaders, though I was warned not to refer to them as such in the committee.

Right Hon. Mr. MEIGHEN: I think we ought to try to agree on what date we can proceed with the debate.

Hon. Mr. DANDURAND: I believe the Senate will be sitting to-morrow, but I am not sure as to Saturday. I think we could perhaps sit Tuesday morning at 11, and then continue with morning, afternoon, and perhaps evening sittings in order to keep pace with the House of Commons. I might remind my colleagues that most of the bills which are to come to us from the other House are money bills; these we could not amend, but we might reject. In any event the Senate will take all the time it needs to complete its business. Of course, if the report is made this afternoon, we could put it down for discussion to-morrow and Friday as a beginning instead of Tuesday next.

Right Hon. Mr. MEIGHEN: Let us try to go into it to-morrow.

Hon. Mr. McRAE: Mr. Chairman, what Senator Dandurand pictures to us is exactly what I fear. We are at the tail-end of the session and have certain work to do. The first thing we know this debate will be strung out after the Royal visit and will be so separated that the whole story will not appear consecutively for those who want to follow it in Hansard. Let us forget about adjournments and proceed with this business. It may be difficult to open the debate to-morrow, that is, for many members. Let us start in Monday morning and make a continuous job of the debate and get it through. Don't let us drag it along. If we do, the issue will not be presented fully before adjournment for the Royal visit.

Hon. Mr. HAIG: Why could we not sit Friday and Saturday?

Right Hon. Mr. MEIGHEN: We could.

The CHAIRMAN (Hon. Mr. Beaubien): Do I understand the desire of the committee is that we should discuss the report in the Senate Friday and Saturday and give it right of way?

Hon. Mr. DANDURAND: That is a matter for the Senate. We will try to do that.

Hon. Mr. McRAE: Let us go a step further and consider evening sessions.

Hon. Mr. DANDURAND: Yes, we can sit to-morrow in the afternoon and up to 11 o'clock at night.

Hon. Mr. HARDY: Mr. Chairman, I do not know what the procedure in this committee should be, but I am interested in the outcome of the report brought in by Senator Meighen.

Hon. Mr. ROBINSON: It is part of the record.

Hon. Mr. HARDY: I have opposed the majority report, but that is not to say I am in favour of the minority report. So I want to vote against that too.

Right Hon. Mr. MEIGHEN: I quite understand Senator Hardy's position.

Hon. Mr. McRAE: You will have an opportunity in the Senate.

Right Hon. Mr. MEIGHEN: I think the members all understand that he is against my report. I say in all sincerity that I am very sorry he is.

VOTES OF THANKS

The CHAIRMAN (Hon. Mr. Beaubien): I thank you very much, gentlemen, for having attended so regularly and done your level best to help along this interesting investigation. You have gathered evidence which will be very valuable for whoever may wish to study this most serious railway problem.

Hon. Mr. HAIG: I should like to move a vote of thanks to our two chairmen for the very able way in which they have presided at our meetings. As a junior member of this committee I appreciate their kindness and ability. I have had frequent clashes with both chairmen, but this does not blind me to their many excellent qualities. I hope I express the opinion of all members of the committee.

Some Hon. MEMBERS: Hear, hear.

Hon. Mr. HARDY: Mr. Chairman, I do not think this committee should overlook the work that has been done by the two leaders, especially by the leader of the Government who has had the conduct of our inquiry. I do not see how they have been able to carry on their work in the Senate and also undertake the tremendous burden of this inquiry. I think the judicial way in which they both approached their work has been a credit to the Senate and to what are known as Canadian politicians. They have set us a great example, and I do not think we should overlook the valuable services they have rendered to this committee.

Some Hon. MEMBERS: Hear, hear.

Hon. Mr. CALDER: There is another vote of thanks we should pass unanimously. We have opposed the report submitted by Senator Dandurand, but in it there is an expression of thanks to all the witnesses who have given evidence before us. We all know the tremendous amount of work involved in gathering and presenting that evidence in proper form. I think we can say without question that by the evidence submitted to us we have been aided very materially in our work. I should like this unanimous expression of thanks to be conveyed to all those who assisted us so thoroughly.

Some Hon. MEMBERS: Hear, hear.

Hon. Mr. DANDURAND: I would draw the attention of the committee to the expression of appreciation in my report of the work of Mr. Biggar and of our joint secretaries. And we must not forget the men who do work which is of very great importance, for they transmit our expressed thoughts into black and white, and in doing so are frequently engaged until after midnight.

An Hon. MEMBER: The shorthand writers.

Hon. Mr. DANDURAND: Those men are our reporters.

Right Hon. Mr. MEIGHEN: Hear, hear.

Hon. Mr. DANDURAND: We do not follow them when they go to their office to transcribe our proceedings, but I know how well they have laboured, and I should like to thank our reporters for all they have done.

Some Hon. MEMBERS: Hear, hear.

The CHAIRMAN (Hon. Mr. Beaubien): Shall all these votes of thanks carry?

Some Hon. MEMBERS: Carried.

REPORT OF THE COMMITTEE

THURSDAY, 11th May, 1939.

The Special Committee of the Senate which was appointed on March 30, 1938, to inquire into and report upon the best means of relieving the country from its extremely serious railway condition and the financial burden appertaining thereto begs leave to make their third Report as follows:—

The Committee made an interim report on June 30, 1938, after having held 43 sessions and examined 31 of the principal officers of the two railway systems. With a view to completing the inquiry the Committee was re-appointed on March 7 of this year, since which time it has held eleven sessions and examined fourteen further witnesses. The proceedings of the Committee, as recorded during the session of 1938 and to date during the present session, covered 1,903 printed pages, and 106 exhibits bearing on the problem have been filed with the Committee.

The submissions to the Committee have been of great value and interest to the members, and have served to enlighten the country at large upon this very important question. As a result of the inquiry, it is possible that the Canadian people have acquired another view—possibly a totally different view—as to what our National Railway property stands for in the life of the Canadian people. To many it has no doubt seemed that our National Railways have been, as it were, a drag upon Canadian progress because of the deficits. To many Canadians it will doubtless be news that the Canadian National Railways have no operating loss and that the deficits, about which so much has been heard and which admittedly have such a serious effect upon our national finances, pertain entirely to interest charges due public investors and relate for the most part to former privately-owned lines which the government took over and continued in operation in the national interest. It is important also to bear in mind that the interest referred to is guaranteed by the government of Canada and is a continuing obligation regardless of what disposition be made of the National lines.

The Committee was impressed with the large measure of public service rendered by the Canadian National Railways in the interests of pioneering and development, the cost of which is included in the deficits referred to. These services are of great value in the economic development of the country, but cannot be operated at a profit from the purely railway standpoint. It is felt that it would be disastrous policy to attempt to eliminate railway deficits by the withdrawal of essential railway facilities.

There was exhibited before the Committee a large scale map indicating that out of a total of 21,972 miles of line in Canada, and on a traffic level equal to 1937, 4,034 miles earn enough to pay operating expenses, taxes and interest charges, 4,087 miles pay operating expenses, but fail to earn sufficient to fully meet taxes and interest, while 13,851 miles fail to earn enough revenue even to pay operating expenses. From this it will be noted what a large percentage of non-paying Canadian National mileage has to be carried by the paying or marginal lines. Nevertheless the marginal and the non-paying lines make a valuable contribution to the national life of Canada which contribution cannot be measured by the yardstick of ordinary business return. It has been utilized as an instrument of national development and obliged to operate extensive mileage for reasons of national policy.

The Committee was impressed also with the great potential value attaching to National lines which are located so as to make possible the development of

the immense mining and forest areas of Northern Canada. The National Railways are splendidly located for the future development of the Dominion, and if the evidence taken by the Committee should do nothing more than direct attention to the potential value of the National Railways to the future of Canada it will have served a useful public purpose.

In like manner, the evidence placed before the Committee has been illustrative of the value to the Dominion of the Canadian Pacific Railway system. What the Canadian Pacific has meant to Canada, both at home and abroad, is, your Committee feels sure, appreciated by all thinking Canadians. It has shown courage and enterprise, has had a major share in the development of Western Canada, and Canadian Pacific Service has been a credit to this country in all parts of the world. The financial reputation of the Canadian Pacific has been equally high, and no other field of investment in normal times seemed to offer greater opportunity. In that way, the Canadian Pacific has attracted to the Dominion much capital from all parts of the world, and the credit of that company has been second only to that of the Dominion itself. That the earning power of the Canadian Pacific under present abnormal conditions has been so seriously impaired is no reflection upon the management of that company, but is largely due to world conditions from which its national rival and practically every railway on the North American continent has been suffering.

Notwithstanding this general situation, Sir Edward Beatty assured the Committee, during its 1938 inquiry, that he was not alarmed over the outlook for the Canadian Pacific Railway. By strict economy that company has been able to survive the stress of recent years, and he looked forward with confidence to the future. It is satisfactory to note also that at the recent annual meeting of the Canadian Pacific shareholders, Sir Edward Beatty found it possible to state that it was his conviction that in spite of the difficulties which it faces, the Canadian Pacific is in a position to maintain its independent existence for years to come.

One prominent fact develops from the evidence adduced before the Committee, namely, that the trend of railway transportation in Canada, as elsewhere, is steadily downward. That evidence shows that a comparison of the years 1935, 1936 and 1937 with 1923 indicates an appreciable increase both in production in Canada and in the volume of banking business, while, on the other hand, the gross revenues of the railways show a decline amounting to 26 per cent in 1937. This decline has taken place notwithstanding the fact that the population of Canada increased from approximately 9 millions in 1923 to 11 millions in 1937.

The principal reasons for that decrease may be attributed to the growth of competition on the highways, inland waters, and shipments through the Panama Canal. The major development of highway competition occurred between 1923 and 1937. During the same period purely Canadian traffic through the Welland Canal increased from 3 million tons to 11 millions, and purely Canadian freight through the Panama Canal from 1 million to 4 million tons annually over the period. At the same time, passenger traffic on Canadian railways declined also 50 per cent.

Evidence given to the Committee indicated that highway competition is practically unrestricted as regards regulation, carries the cream of the traffic, and operates most effectively during the non-winter months. As opposed to this, the railways are extensively regulated, and must operate under all weather conditions. Because of these disadvantages to the railways, the government has recently offered a measure of relief through the "Agreed Charge" feature of "The Transport Act, 1938." By the provisions of this Act, the railways are

now enabled to make contracts with shippers on an "agreed charge" basis for through business. It is too soon to determine the possible effect of this new legislation upon the situation, but your Committee is satisfied that the position of the railways to-day in the transportation field is quite different from that of 1923.

In the opinion of some members of the Committee the emphasis which has been placed upon Canadian National deficits has from the outset of the inquiry placed our National Railway System in a somewhat false position before the public who, previous to this inquiry, had no comprehensive knowledge of the development of the Canadian National System and the service it has rendered to the country. Unfortunately its debt and deficits seemed to stand as an indictment against its administration, and although Canadian Pacific business was also on the down grade, and was fighting its own battle, its contribution before the Committee focused entire attention upon Canadian National Railway deficits as though they were the cause of all our railway troubles. The psychology of this situation placed the Canadian National Railways in the position of having to defend and justify its administration.

The establishment of this Committee followed a campaign of propaganda on behalf of unification which has been carried on by the President of the C.P.R. since the recommendations of the Duff Commission were placed upon the statute book. Though no evidence was produced before us tending to show that either of the two railways attempted to delay or impede co-operative action under the 1933 Act, we feel that in the very nature of things co-operation has been made more difficult to achieve while one of the parties has been engaged in a vigorous campaign to convince the public that the results of co-operation will be negligible and that unification is the only practical solution. We feel further, that this campaign of propaganda has obscured the underlying problem of the adjustment of the railway industry to the changed conditions brought about by the development of highway transport. Your Committee is of opinion that the problem created by highway transport is one which will require much study to co-ordinate the new and the old agencies of transport so as to obtain the maximum economic advantages of both. A very considerable part of the Canadian railway problem arises from this veritable revolution in the art of transportation.

The chief proposal under consideration was that of the Canadian Pacific Railway for the unification of the two railways, it being contended on behalf of that plan that savings of \$75,000,000 annually could be made for the combined properties on a 1930 traffic level, or of some \$56,000,000 to \$59,000,000 on a 1937 traffic level. The Committee inquired closely into these possibilities, from which it appeared that only a portion of the savings could be definitely measured, and these applied more particularly to road abandonments which, in the judgment of the Committee, could not be made.

Details of other savings relating to the closing of shops, stations and other facilities, as well as reduction of train services, were not disclosed by the Canadian Pacific. Thus it was impossible for the Committee to give consideration to the proposals included in the larger sphere of savings, and the reluctance of the Canadian Pacific to divulge this vital information because of possible public reaction did not assist the Committee to reach a conclusion favourable to unification.

This lack of vital information was not confined to estimated savings, but, as was developed during the 1938 sessions of the Committee, was apparent as well in the consideration of the possible distribution of joint savings between the government and the Canadian Pacific, when the Committee was unable to ascertain from representatives of the Canadian Pacific Railway, except in general terms, how joint net revenue under unification would be divided. Further

leading questions to the Canadian Pacific in relation to financial matters under unification, such as new capital requirements, refunding of Canadian Pacific maturing obligations in the event of unification, and the inevitable pledge that the government would be obliged to give in connection with the new borrowings, all remained practically unanswered.

In other respects also objections appeared to the Committee to the adoption of unification, it being felt that any form of unification which attempts to preserve within one administration the principles of private and public ownership would be unworkable, the state being bound to become involved financially, with the result that it would be impossible afterwards to unscramble the properties and revert to the status quo. The adoption of such a policy would, in the opinion of many members of the Committee, lead inevitably to government ownership of all Canadian railways. There was the added danger referred to by the Duff Commission which would be involved in setting up a railway monopoly in Canada—a state within a state. In view of these considerations your Committee feel that unification cannot be recommended as a measure of public policy.

In view of this your Committee explored as thoroughly as possible the alternative of co-operation. It was contended by officials of the National Railways that all savings practical of attainment could be secured under a policy of enforced co-operation with respect to which it was held that savings of from \$10,000,000 to \$15,000,000 might be effected, even under present depressed condition of railway transport. Nevertheless, some members of the Committee felt that greater savings than these might be secured from unification if the people of Canada were prepared to pay the price of such drastic curtailment of railway services with attendant disabilities from the national and public standpoint as have been already alluded to.

It is recognized by your Committee that the adoption of co-operative measure has been disappointingly slow. The recommendations of the Duff Commission which, it is generally agreed, was a most excellent commission, have never in fact been applied in a practical sense, and there is reason to feel that considerable economy can be secured from co-operation if it is approached earnestly and with a will to accomplish results. Your Committee sees no reason why duplicate services and duplicate facilities could not be dealt with effectively by co-operation, and it is not considered advisable to modify the terms of the Canadian National-Canadian Pacific Act 1933, except as regards dismissal compensation for employees, until the possibilities of the present act have been more thoroughly ascertained. In any event, your Committee feels that the facts which it has brought to the knowledge of the public as to the slow progress of co-operative plans to date have had a valuable effect in stimulating both railway systems to further efforts in this direction; we have recently been advised that a number of important plans for co-operation are now under study, including a proposal for a complete pooling of all competitive passenger train services throughout the country, which offers an opportunity for important economies.

Complaint has been voiced by members of the Committee that, though five years have elapsed since co-operation as a measure of government policy became effective, so little has been accomplished. That criticism would seem to lose sight of the fact that even under unification five years and more would be required to secure expected results.

The evidence submitted to the Committee makes it clear that Canada's railway problem cannot be solved at one stroke. Any attempt to do so by drastic measures may be expected to produce even greater problems on account of the disturbance to communities served, because railways in most of Canada

are and will remain an essential part of the country's transport facilities. The Committee feels that the situation may be ameliorated by co-operation aimed at elimination of duplicate services where no essential public interest is involved. A further amelioration may be expected as the economic spheres of railway and highway transport become more clearly defined and the competition between them is placed upon a fair and equitable basis of regulation and taxation. This is the general problem which is actively engaging the attention of governments not only in Canada, but in the United States and Great Britain.

The Committee has looked closely into the suggestion of the Canadian Pacific Railway that the evidence before the Committee be submitted to a firm of railway engineers and accountants of high standing, free from all interest in either railway system, to the end that such firm may study such evidence and especially its practical railway engineering and accounting features, and make such physical examination as it may deem necessary, with a view to making a full report as to what in the judgment of such firm would be the amount of savings which could be effected by a system of unified management, and to what extent, if any, such savings would entail an impairment of services to the Canadian people.

After due consideration, the committee reached the conclusion that the proposed reference to an outside body was not practicable in view of the fact that the essentials of the problem are not alone of railway practice, but involve questions of broad national policy, which have to be decided upon by the Canadian parliament and its executives. Such responsibilities cannot be delegated.

The committee, however, would recommend that the evidence submitted and the exhibits filed be reported, and thus made available to all who may be interested in the Canadian transportation problem. It is felt that much valuable evidence has been added to the public record. It brings up to date the record made available in the first instance by the report of the Drayton-Acworth-Smith Commission in 1917, and so greatly added to by the Duff Commission of 1931-32. That Commission went more fully into the railway question than it has been possible for this committee to do. The membership of the Duff Commission included one of the leading successful railway executives of the United States, as well as the man who is now chairman of the London (England) Passenger Transport Board. That commission, which made a physical examination of the principal properties of both railway systems, took occasion to close its report as follows:—

We feel compelled, as a matter of public duty, to strike a serious note of warning to the people of Canada. Unless the country is prepared to adopt the plan we have proposed, or some other equally effective measures, to secure the efficient and economical working of both railway systems and thereby not only reduce the burden on the federal treasury but improve the financial position of the privately-owned railway, then the only courses that would be left would be either to effect savings in national expenditure in other directions, or to add still further to the burdens under which the industries of the country are suffering by the imposition of yet further taxation. Failing the adoption of one or other of these courses, and there are obvious limits to their application, the very stability of the nation's finances and the financial credit of the Canadian Pacific Railway will be threatened with serious consequences to the people of Canada and to those who have invested their savings in that railway.

The recommendations thus referred to were embodied in the Statutes of Canada, but their working out has not been assisted by a desire of one of

the railways to impose upon the people of Canada a policy rejected by the Duff Commission for the same reasons which compel this committee once more to reject unification as a measure of national policy. In the opinion of the committee it is in the interest of the railways and of business generally that the uncertainty resulting from the Canadian Pacific agitation for unification be ended by frank recognition of the fact that unification of the railways is not possible of adoption, and that further and more serious attempts should be made to give effect to the letter and the spirit of the Canadian National-Canadian Pacific Act 1933, the two railways to agree between themselves to a referee—preferably the Chairman of the Board of Transport Commissioners—for the adjustment of such differences as may arise concerning co-operative policies. That, in the opinion of the committee, offers the only practical course looking to the improvement of our present railway difficulties.

The committee is of the opinion that this adjustment of difference with respect to co-operative measures can be accomplished within the confines of the 1933 Act which, for the purposes of effecting economies and providing for more remunerative operation, directs both railways to agree, and continuously to endeavour to agree, upon such co-operative measures, plans and arrangements as are fair and reasonable and best adapted to effect such economies. As to the selection of a referee, that legislation provides that the Chief Commissioner of the Board of Transport Commissioners shall be presiding officer of any arbitral tribunal, to which each railway shall appoint a representative, and on matters of sufficient importance two additional members may be appointed by the President of the Exchequer Court, or a judge of the Supreme Court of Canada. This provision of the Act has never yet been set in motion, though it may be invoked at request of either company. There, ready at hand, is all the legislation necessary to give effect to the committee's recommendation that the Chief of the Board of Transport Commissioners act as referee in the event of either railway company declining to consider a co-operative proposal emanating from the other railway.

In concluding its labours, the committee extends its thanks to the officials of the two Canadian railway systems and the various other witnesses who have appeared before it; it also desires to express its appreciation of the services of Colonel O. M. Biggar, K.C., the committee's counsel, for his valuable assistance in facilitating the work of the committee. The services of the joint secretaries and reporters also have been of the highest character.

All which is respectfully submitted.

GEO. P. GRAHAM,
C. P. BEAUBIEN,
Joint Chairmen.

The committee then adjourned.

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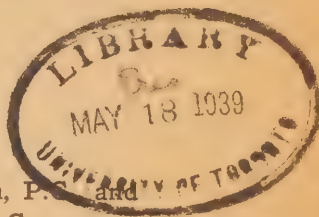
OF THE

SPECIAL COMMITTEE

Appointed to

**ENQUIRE INTO AND REPORT UPON THE BEST MEANS OF RELIEVING THE
COUNTRY FROM ITS EXTREMELY SERIOUS RAILWAY CONDITION
AND FINANCIAL BURDEN CONSEQUENT THERETO**

No. 13



The Right Honourable George P. Graham, P.C. and
the Honourable C. P. Beaubien, K.C.,
Joint Chairmen

EXHIBITS:

- No. 105. Further submission by Professor John L. McDougall, Queen's University, Kingston, Ontario.
- No. 106. Map showing profitable and non-profitable lines, C.N.Rys. (Not printed.)
- No. 107. Statement re distribution of income deficit for year 1937, C.N.Rys.

OTTAWA

J. O. PATENAUDE, I.S.O.

PRINTER TO THE KING'S MOST EXCELLENT MAJESTY

1939

EXHIBIT No. 105

Mr. CHAIRMAN:

The paper which I presented to you on March 21st last was one of the most difficult that I have ever organized. The rules are extremely complicated. The very fact that some 475 cases have come before the Canadian Railway Board of Adjustment Number 1 in the last twenty years is itself proof that the railway officers and the union leaders themselves find difficulty in the interpretation of the rules of the various schedules. Without intimate knowledge which they possess it has been doubly difficult for me, because the drafting of the rules leaves a great deal to be desired. They are no doubt moderately clear to those who made them, but many of them are by no means clear to the outsider, even after the reading of decisions based on them.

I had therefore to face the possibility that my argument might be seriously weakened because I had not fully understood the situation under discussion. I find four statements of fact which need to be corrected.

1. I said that engineers might run after 66 months as firemen. The schedules provide a minimum of three years. That is probably a wise and necessary provision; not because that length of time is required to learn how to operate an engine, but in order to so drill the men on the operating rules that those rules become second nature to them.

2. I suggested that passenger engineers draw time and a half for overtime. That is not correct. Engineers in freight service, in work train and in mixed train service do draw time and a half for all time over eight hours. Engineers in passenger service work upon a five-hour day and are paid overtime for all time in excess of five hours, upon a minute basis, at straight time rates. Under ordinary conditions, none of them runs over the eight hours.

3. I suggested that present money rates of pay were the highest ever in effect. I accept Mr. Chase's correction that the rates per mile of 1920 were slightly higher.

4. I stated that the Canadian statistics of employee hours were upon the basis of time paid for, not on the basis of time actually worked. I have checked on that and find that the hours reported are the hours worked or held for duty.

I submit that not one of these corrections of fact does any damage to my argument. They are all of them minor and without substantial effect upon it. That argument is that the passage of time, the changes in the art of railroading, the changes in the kind of railroad service demanded, make working rules which were set up some fifty years ago totally insupportable to-day. They are obsolete by any test. They are capricious in their action, falling with a terrific weight on the light traffic lines which are least able to bear them. They are unbearably restrictive in their effect on the kind of service which can be rendered. It is an argument which runs against the running trades as a whole. It is not specially directed against the engineers. Nor is it suggested that the high earnings of some individuals show the average earnings. What I was attempting to do was to get behind the averages to see what the range was between the high and the low earnings.

Turning directly to Mr. Chase's arguments, I ask you to notice that nowhere does Mr. Chase state that engineers could not now earn \$4,000 per year. He says that under the mileage limitations now in effect—limitations which were put in solely to distribute employment more widely and for no other reason—they *probably* do not. Taking again the case of the engineers operating trains numbers 6 and 15 between Montreal and Brockville; those men under the

reduced mileage are able at present rates of pay to earn \$299 per month for 13 calendar days of work. If they were allowed as high a mileage as they had before the most recent limitations of mileage were put into effect, then they would earn very substantially in excess of that. If they were allowed to set their own mileage, they might exceed the \$6,000 per year which Mr. Chase suggests as a proper average for all engineers.

The objection which I raise is not simply to high earnings per month or per year; it is to the combination of high earnings with the persistent limitation upon the amount of service rendered in order to earn it. Still greater arbitrary reductions in monthly mileage would result in forcing still greater amounts of leisure time upon the senior employees, but it would do nothing to reduce the direct wages cost per train mile to the railway companies. Indeed, in so far as figures of average annual earnings are used to justify higher rates per mile, they tend toward an increase in costs and so aggravate the present unfortunate conditions.

Mr. Chase presents a calculation of maximum and minimum earnings, but it should be noted that his maximum is upon the basis of the engine of average size and not upon the largest engines and that it makes no allowance for the arbitrariness and constructive allowances. The railways have stated that these increase by some 11 per cent the pay which would accrue upon a straight time or mileage basis.

Mr. Chase states that less than one locomotive engineer in ten becomes a regularly assigned passenger engineer. Without a disclosure of how he arrives at that figure, it is hard to refute it; but in 1937, 21.6 per cent, or more than 1 in 5, of all engineers were passenger engineers.

It is perfectly true that, because the railways are a declining industry and because the mileage cost of train operation to the railways is so high that train mileage is still further reduced, those who now become regularly assigned passenger engineers are elderly men; but of all those who reported themselves to the census of 1911 as locomotive engineers, 9.62 per cent were in the age group 16-24 years. The present concentration in the higher age groups is a result of other conditions, it is not a proof that the necessary training period is measured in decades as Mr. Chase would seem to suggest.

I ask you also to note that in his third table, Mr. Chase takes pains to confine himself to the aggregate numbers of employees, hours worked, and total compensation paid and fails to show the average results per head. It is a deficiency in his presentation which I shall endeavour to supply below.

In short I suggest that Mr. Chase's submission has been magnificently expert but it is something less than frank. It is a skilled defence, not an attempt to illuminate a problem.

I ask now for permission to enter certain tables and graphs which show the following points.

1. That at no time in the years after 1926 did the purchasing power of the average annual earnings of all train and engine service employees fall as low as it was in 1926. Their money earnings fell, but never as fast or as far as the index of the cost of living fell.

2. That the purchasing power of the average hourly earnings, similarly adjusted, have been over 25 per cent in excess of the 1926 level ever since 1931, it has been between 30 and 35 per cent above ever since 1935, and, in 1938, I estimate that it was over 40 per cent above.

In proof of these two statements, I offer tables 1 and 2 and graph I. I ask particular attention to the almost perfect inverse correlation between the rising real earnings and the falling number employed.

3. That so far as the sacrifice of the opportunity to work is concerned, the statistics show that the junior men—firemen and brakemen—have consistently made greater sacrifices than have the senior men running as engineers and conductors.

At 1926, the engineers and conductors were getting more hours of work per man per year than were their juniors, the firemen and brakemen respectively. That disparity widened greatly as the depression deepened and still persisted at 1937, the last year for which full data is available. In proof of that statement, I offer tables 3-8 inclusive.

Mr. Chase has said a good deal about the voluntary sacrifices of the senior men. I think that these tables should be read in conjunction with his testimony.

As proof of the extent to which the passenger service is falling behind despite the attempts to reduce train mileage, I offer table 9 and graph II, which show the wages paid to road passenger train and engine service employees as a percentage of passenger revenue and of passenger train revenue. It will be observed that even at 1937, the wage burden was about twice as high as it was at 1917.

Table 10 and graph III show the number of hours worked by road train and engine service employees per 100 train miles. The decline in the 20 years is about 33 per cent, or at the rate of 2 per cent per annum. The result is a constant reduction in the effort expended by labour in order to make earnings whose amount is determined by the mileage run when that produces the larger payment.

Table 11 and graph IV show the direct wages cost per train mile run, in current dollars and in 1926 purchasing power. I ask particular attention to the fact that on the corrected basis the wages cost per train mile is now (1939) near its depression peak because of rising wages cost per mile and a fall in the wholesale price index.

Table 12 compares the wages paid to all classes of employees and charged to operating expenses as a percentage of total operating revenues in Canada and in the United States, over the years 1926-37. It shows that Canadian railway employees have in each year taken a higher percentage of revenues than have the employees of American class I railways, and that in the years 1930-33 both inclusive, that excess was over 20 per cent in each year.

In other words, Sir, I submit that in relation to the traffic and revenue situation of the Canadian railways, their wage burden is even more intense than is that of the American railways.

Tables 13 and 14 and graphs V and VI show the other face of this extreme pressure upon the railway budget. They indicate that what little money they have for expenditure on the properties they are spending on current operation and not for the necessary renewals. A very real consumption of capital may be going on in an effort to maintain the existing wage level.

Mr. Kelly has been kind enough to mention me in his submission. I would ask that what he has said should be read in conjunction with table 12 which shows how much more heavily wages bear upon railway revenues in Canada than in the United States and with table 15 and graph VII which show for all railway employees the same inverse correlation between the number employed and the real purchasing power of their incomes that has already been shown for the train and engine service employees. The whole statement of the position by Mr. Kelly blandly overlooks the changes in the cost of living over the last ten years and the great deterioration in the position of other classes in the community. It is an omission which goes a long way toward making his case an interesting statistical exercise but of little present importance.

I have to thank you, Sir, for permitting me to enter this rebuttal.

John L. McDougall.

TABLE 1.—AVERAGE EARNINGS PER HOUR AND PER YEAR OF ALL TRAIN AND ENGINE SERVICE EMPLOYEES, IN CURRENT MONEY AND IN PURCHASING POWER (1926=100)

Year	Index of the cost of living*	Average annual earnings (1926=100)†	Purchasing power of average annual earnings (1926=100)	Average earnings per man-hour (1926=100)†	Purchasing power of hourly earnings (1926=100)
1926.....	100.0	100.0	100.0	100.0	100.0
1927.....	98.4	104.3	106.0	105.1	106.8
1928.....	98.9	107.3	108.5	109.5	110.7
1929.....	99.9	105.9	106.0	109.5	109.6
1930.....	99.2	103.3	104.1	111.8	112.7
1931.....	89.6	98.5	109.9	112.8	125.9
1932.....	81.3	87.8	108.0	104.9	129.0
1933.....	77.5	80.1	103.4	98.1	126.6
1934.....	78.6	84.0	106.9	99.8	127.0
1935.....	79.1	87.6	110.7	106.3	134.4
1936.....	80.8	90.2	111.6	107.4	132.9
1937.....	83.1	92.9	111.8	112.0	134.8
The absolute figures on which the above relatives are based are:					
1926.....		\$2,333	\$2,333	\$0.823	\$0.823

*Prices and Price Indexes, 1936, p. 103, and supplements thereto.

†Weighted averages, computed from data in the table "Employees and Salaries and Wages" in *Statistics of Steam Railways of Canada, 1926-37 inclusive*.

TABLE 2*.—NUMBER, HOURS PAID FOR, AND EARNINGS OF ALL TRAIN AND ENGINE SERVICE EMPLOYEES, 1926-37 (1926=100)

Year	Average number employed	Total hours paid for	Total compensation	Average hours paid for, per man-year	Average earnings per man-year	Average earnings per man-hour
1926.....	100.0	100.0	100.0	100.0	100.0	100.0
1927.....	103.6	102.7	108.1	99.2	104.3	105.1
1928.....	109.5	107.4	117.6	98.1	107.3	109.5
1929.....	105.7	102.2	112.0	96.7	105.9	109.5
1930.....	95.2	87.9	98.3	92.4	103.3	111.8
1931.....	82.2	71.9	81.0	87.4	98.5	112.8
1932.....	71.7	60.1	63.0	83.8	87.8	104.9
1933.....	66.6	54.4	53.4	81.7	80.1	98.1
1934.....	69.8	58.8	58.7	84.3	84.0	99.8
1935.....	71.2	58.7	62.9	82.4	87.6	106.3
1936.....	74.4	62.5	67.2	84.0	90.2	107.4
1937.....	77.2	64.0	71.8	83.0	92.9	112.0
The absolute figures on which the above relatives are based are:						
1926.....	25,223	71,493,800	\$58,838,100	2,834	\$2,333	\$0.823

*From the table "Employees and Salaries and Wages" in *Statistics of Steam Railways of Canada, 1926-37 inclusive*. The classes included above are divisions 67-78 inclusive of that table.

TABLE 3*—AVERAGE NUMBER OF HOURS PAID FOR, PER MAN-YEAR, IN ROAD PASSENGER SERVICE, 1926-37

(1926=100)

Year	Engineers and motormen	Firemen and helpers	Conductors	Brakemen, baggage-men and flagmen
1926.....	100.0	100.0	100.0	100.0
1927.....	93.1	92.6	98.0	98.9
1928.....	94.0	93.7	95.3	95.4
1929.....	95.9	94.3	99.6	97.0
1930.....	95.4	93.9	98.0	96.1
1931.....	93.4	92.2	92.7	90.3
1932.....	91.5	90.2	91.2	86.1
1933.....	90.2	85.1	88.8	84.2
1934.....	91.7	87.3	87.6	84.5
1935.....	89.7	85.4	86.8	82.3
1936.....	90.9	85.6	85.9	82.6
1937.....	87.8	86.4	82.8	80.6

The absolute figures on which the above relatives are based are

1926.....	2,335	2,295	2,675	2,637
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*From the table "Employees and Salaries and Wages" in *Statistics of Steam Railways of Canada*, 1926-37 inclusive. The classes included above are divisions 73, 76, 67 and 69 respectively.

TABLE 4*—AVERAGE NUMBER OF HOURS PAID FOR, PER MAN-YEAR, IN ROAD FREIGHT SERVICE, 1926-37 (1926=100)

Year	Engineers and motormen	Firemen and helpers	Conductors	Brakemen and flagmen
1926.....	100.0	100.0	100.0	100.0
1927.....	100.9	101.4	98.3	99.8
1928.....	101.3	98.5	98.5	97.3
1929.....	99.2	95.7	97.4	95.9
1930.....	92.4	88.5	90.9	88.9
1931.....	84.9	81.6	83.4	82.9
1932.....	82.7	77.5	80.7	75.9
1933.....	84.3	76.6	82.0	73.8
1934.....	86.0	78.7	85.3	77.3
1935.....	84.5	77.6	81.8	75.2
1936.....	84.6	80.9	83.6	76.9
1937.....	82.3	79.3	81.7	76.8

The absolute figures on which the above relatives are based are

1926.....	3,010	2,844	3,143	2,935
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*From the table "Employees and Salaries and Wages" in *Statistics of Steam Railways of Canada* 1926-37 inclusive. The classes included above are divisions 74, 77, 68 and 70 respectively.

TABLE 5*.—AVERAGE NUMBER OF HOURS PAID FOR, PER MAN-YEAR, IN YARD SERVICE, 1926-37

(1926=100)

Year	Engineers and motormen	Firemen and helpers	Conductors and yard foremen	Brakemen and helpers
1926.....	100.0	100.0	100.0	100.0
1927.....	98.0	98.5	98.6	101.1
1928.....	98.2	99.0	98.0	98.9
1929.....	97.3	97.3	96.0	96.4
1930.....	97.4	96.6	95.9	95.4
1931.....	95.6	95.8	93.4	93.1
1932.....	97.4	96.6	91.1	87.4
1933.....	91.8	88.2	88.5	83.0
1934.....	95.8	90.6	92.9	85.3
1935.....	94.1	87.8	90.6	84.4
1936.....	94.3	88.7	92.5	87.9
1937.....	92.3	86.6	92.4	88.5

The absolute figures on which the above relatives are based are

1926.....	3,042	3,007	2,823	2,652
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* From the table "Employees and Salaries and Wages" in *Statistics of Steam Railways of Canada*, 1926-37 inclusive. The classes included above are divisions 75, 78, 71 and 72 respectively.

TABLE 6*.—AVERAGE EARNINGS PER MAN-YEAR IN ROAD PASSENGER SERVICE, 1926-37 (1926=100)

Year	Engineers and motormen	Firemen and helpers	Conductors	Brakemen, baggagemen and flagmen
1926.....	100.0	100.0	100.0	100.0
1927.....	97.1	97.5	103.5	105.6
1928.....	104.6	104.7	107.1	105.3
1929.....	106.2	105.1	111.1	109.2
1930.....	105.5	104.6	112.0	109.0
1931.....	103.9	104.3	105.4	103.1
1932.....	93.5	94.3	96.2	91.9
1933.....	88.5	84.6	89.4	85.1
1934.....	93.3	90.2	93.8	88.2
1935.....	96.8	94.5	96.4	91.6
1936.....	99.7	96.2	97.1	93.9
1937.....	100.6	101.3	98.2	96.1

The absolute figures on which the above relatives are based are

1926.....	\$3,185	\$2,389	\$2,728	\$1,964
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* From the table "Employees and Salaries and Wages" in *Statistics of Steam Railways of Canada*, 1926-37 inclusive. The classes included above are divisions 73, 76, 67 and 69 respectively.

TABLE 7*—AVERAGE EARNINGS PER MAN-YEAR IN ROAD FREIGHT SERVICE,
1926-37 (1926=100)

Year	Engineers and motormen	Firemen and helpers	Conductors	Brakemen and flagmen
1926.....	100.0	100.0	100.0	100.0
1927.....	103.6	105.9	104.8	106.9
1928.....	110.7	109.4	109.3	108.4
1929.....	107.7	104.8	108.6	107.4
1930.....	102.9	100.0	104.3	102.5
1931.....	96.6	94.1	97.7	96.5
1932.....	87.8	83.7	88.0	83.9
1933.....	82.4	76.5	83.0	75.5
1934.....	86.4	80.7	87.5	80.0
1935.....	90.3	85.1	90.7	84.1
1936.....	91.5	90.1	93.5	86.8
1937.....	93.1	92.2	96.0	91.1
The absolute figures upon which the above relatives are based are				
1926.....	\$3,060	\$2,147	\$2,715	\$1,981

*From the table "Employees and Salaries and Wages" in *Statistics of Steam Railways of Canada*, 1926-37 inclusive. The classes included above are divisions 74, 77, 68 and 70 respectively.

TABLE 8.*—AVERAGE EARNINGS PER MAN-YEAR IN YARD SERVICE, 1926-37
(1926=100)

Year	Engineers and motormen	Firemen and helpers	Conductors and yard foremen	Brakemen and helpers
1926.....	100.0	100.0	100.0	100.0
1927.....	99.7	101.9	102.3	109.2
1928.....	103.4	105.6	101.7	107.4
1929.....	102.3	103.8	100.3	104.5
1930.....	102.4	102.7	100.0	103.3
1931.....	98.6	100.2	96.0	99.1
1932.....	91.9	92.5	85.9	85.5
1933.....	81.2	79.1	78.2	76.0
1934.....	86.1	82.5	82.8	79.0
1935.....	88.6	84.3	85.2	82.6
1936.....	89.8	85.9	87.8	86.6
1937.....	91.8	87.2	90.6	90.2
The absolute figures on which the above relatives are based are				
1926.....	\$2,575	\$1,957	\$2,303	\$1,928

* From the table "Employees and Salaries and Wages" in *Statistics of Steam Railways of Canada*, 1926-37 inclusive. The classes included above are divisions 75, 78, 71 and 72 respectively.

TABLE 9.*—WAGES PAID TO ROAD PASSENGER TRAIN AND ENGINE SERVICE EMPLOYEES AS A PERCENTAGE OF PASSENGER REVENUES AND OF TOTAL PASSENGER TRAIN REVENUES

	As a percentage of	
	Passenger revenues	Passenger train revenues
	%	%
Years to June 30, 1917.....	10.6	7.6
1918.....	10.7	7.7
1919.....	11.4	8.3
Years to Dec. 31, 1919.....	12.5	8.2
1920.....	12.9	9.2
1921.....	14.2	9.4
1922.....	15.1	9.8
1923.....	14.5	9.7
1924.....	15.4	10.3
1925.....	15.8	10.4
1926.....	15.6	10.3
1927.....	16.4	10.8
1928.....	16.7	11.0
1929.....	17.6	11.3
1930.....	21.1	13.2
1931.....	25.7	15.1
1932.....	25.6	14.4
1933.....	24.8	13.8
1934.....	23.3	13.1
1935.....	24.5	13.7
1936.....	24.7	13.8
1937.....	24.5	13.9

* Wages paid are as reported in the table "Employees and Salaries and Wages" in *Statistics of Steam Railways of Canada*, 1917-37 inclusive; passenger revenues are "gross revenues rail line—passenger" as reported in the income account; total passenger train revenues are the total of passenger, excess baggage, parlour and sleeping car, mail, milk, and other passenger train revenues as reported therein plus the gross revenues of express companies as reported in the *Canada Year Book*, 1927-8, p. 673, and 1938, p. 668.

TABLE 10*—NUMBER OF ROAD TRAIN AND ENGINE SERVICE EMPLOYEE HOURS PAID FOR PER 100 TRAIN MILES

	Number of employee hours
Years to June 30—	
1917.....	53.29
1918.....	56.83
1919.....	
Years to Dec. 31—	
1919.....	51.65
1920.....	50.46
1921.....	48.17
1922.....	47.40
1923.....	49.13
1924.....	44.14
1925.....	44.72
1926.....	44.75
1927.....	44.62
1928.....	43.19
1929.....	42.96
1930.....	40.33
1931.....	37.76
1932.....	36.21
1933.....	35.92
1934.....	36.55
1935.....	35.75
1936.....	35.86
1937.....	35.45

*Employee hours from the table "Employees and Salaries and Wages" in *Statistics of Steam Railways of Canada*. Train miles are the total of revenue train miles, non-revenue train miles and motor passenger car miles, from the table "Operating Statistics", *ibid*.

TABLE 11—WAGES PAID TO ROAD TRAIN AND ENGINE SERVICE EMPLOYEES*
PER TRAIN MILE†

	Wages paid in cents per train mile	General Wholesale price index‡	Wages cost per train mile in 1926 purchasing power
Years to June 30—			
1917.....	22.87	99.3§	23.03
1918.....	27.16	120.9§	22.46
1919.....	34.72	130.7§	26.56
Years to Dec. 31—			
1919.....	35.93	134.0	26.81
1920.....	42.58	155.9	27.31
1921.....	40.83	110.0	37.12
1922.....	38.43	97.3	39.50
1923.....	39.43	98.0	40.23
1924.....	37.21	99.4	37.43
1925.....	37.48	102.6	36.53
1926.....	37.91	100.0	37.91
1927.....	39.77	97.7	40.71
1928.....	40.41	96.4	41.92
1929.....	40.34	95.6	42.20
1930.....	39.01	86.6	45.05
1931.....	37.15	72.1	51.53
1932.....	33.29	66.7	49.91
1933.....	30.84	67.1	45.96
1934.....	31.96	71.6	44.64
1935.....	33.45	72.1	46.39
1936.....	33.98	74.6	45.54
1937.....	35.20	84.6	41.61

*The figure used was the sum total of all wages paid to the road freight and road passenger employees as reported in the table "Employees and Salaries and Wages" in *Statistics of Steam Railways of Canada*, 1917-37 inclusive.

†The figure used for each year was the sum of (a) revenue train miles, (b) non-revenue train miles and (c) motor passenger car miles.

‡*Prices and Price Indexes*, 1936, p. 17, and supplements thereto.

§These figures are averages of the two relevant calendar years.

TABLE 12—STEAM RAILWAY WAGES CHARGED TO OPERATING EXPENSES AS A
PERCENTAGE OF TOTAL OPERATING REVENUES

	I Canada*	II United States†	III Column I as a percentage of Column II
1926.....	45.74	42.58	107.4
1927.....	48.23	43.85	110.0
1928.....	46.95	43.03	109.2
1929.....	48.85	42.58	114.7
1930.....	55.38	44.81	123.6
1931.....	58.51	46.93	124.7
1932.....	56.44	45.95	122.9
1933.....	53.86	43.17	124.8
1934.....	49.92	44.07	113.3
1935.....	51.18	45.03	113.7
1936.....	49.95	42.89	116.5
1937.....	49.68	44.78	110.9

* Wages charged to operating expenses are from the table "Employees and Salaries and Wages"; operating revenues are the total of gross earnings from all sources, from the table "Gross Earnings" in *Statistics of Steam Railways of Canada*, 1926-37 inclusive.

† Class I steam railways, excluding switching and terminal companies. Wages charged to operating expenses are shown in statement 55, total operating revenues in statement 35 of *Statistics of Railways in the United States*, 1926-37 inclusive.

TABLE 13.*—MAINTENANCE OF WAY AND STRUCTURES EXPENDITURES PER MILE OF LINE, 1923-37 (1926=100)

Year	Total expenditures on maintenance of way and structures	Expenditures on roadway maintenance	Expenditures on ties, rail, other track material and ballast
	%	%	%
1923.....	104.4	108.5	96.2
1924.....	96.6	96.6	93.8
1925.....	90.9	99.7	86.1
1926.....	100.0	100.0	100.0
1927.....	106.0	110.9	106.2
1928.....	119.0	127.8	128.4
1929.....	114.0	123.9	109.5
1930.....	92.8	115.6	77.3
1931.....	77.7	105.0	64.1
1932.....	59.1	91.4	39.0
1933.....	56.3	84.1	42.4
1934.....	62.7	84.5	51.6
1935.....	64.1	91.1	49.2
1936.....	70.1	95.6	57.5
1937.....	67.7	90.2	50.2

The absolute figures on which the above relatives are based are:

1926.....	\$2,017	\$106.2	\$594.1
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* Miles of line are shown in the table "Operating Statistics"; expenditures are shown in table 7 of *Statistics of Steam Railways of Canada, 1923-37 inclusive*.

TABLE 14.—SELECTED MAINTENANCE OF WAY AND STRUCTURES COMPARISONS
1923-37

(1926=100)

	Per million gross ton miles, freight traffic*	
	Hours of labour of section crews†	Tons of new rail laid‡
1923.....	112.7	91.8
1924.....	118.6	110.6
1925.....	113.1	105.8
1926.....	100.0	100.0
1927.....	101.9	116.4
1928.....	91.4	157.0
1929.....	102.4	153.6
1930.....	113.7	131.4
1931.....	123.0	87.0
1932.....	126.5	46.4
1933.....	131.5	30.4
1934.....	121.4	63.3
1935.....	117.8	55.6
1936.....	109.7	60.9
1937.....	101.0	52.2

The absolute figures on which the above relatives are based are

708

2.19

* From the table "Operating Statistics" in *Statistics of Steam Railways of Canada*.

† From the table "Employees and Salaries and Wages", division 19 and 20, *ibid*.

‡ From the table "Rails Laid During the Year ended —", *ibid*.

TABLE 15*—ALL RAILWAY EMPLOYEES (EXPRESS, RADIO, AND OUTSIDE OPERATIONS EMPLOYEES EXCLUDED†), THEIR NUMBERS AND EARNINGS, 1926=100

Year	Number employed	Average earnings per year		Average earnings per hour	
		As reported	In 1926 dollars‡	As reported	In 1926 dollars‡
1926.....	100.0	100.0	100.0	100.0	100.0
1927.....	101.4	104.2	105.9	102.8	104.5
1928.....	106.5	105.6	106.8	103.9	105.1
1929.....	105.5	106.8	106.9	105.5	105.6
1930.....	97.6	106.3	107.2	108.4	109.3
1931.....	86.2	102.3	114.2	110.1	122.9
1932.....	73.9	93.8	115.4	104.0	127.9
1933.....	68.3	88.9	114.7	99.4	128.3
1934.....	71.5	87.9	111.8	96.3	122.5
1935.....	71.6	93.1	117.7	101.3	128.1
1936.....	74.8	94.3	116.7	101.2	125.2
1937.....	74.8	99.7	120.0	105.3	126.7
The absolute figures upon which the above relatives are based are					
1926.....	162,423	\$1,479	\$1,479	58.98c.	58.98c.

*From the table "Employees and Salaries and Wages" in *Statistics of Steam Railways of Canada, 1926-37* inclusive.

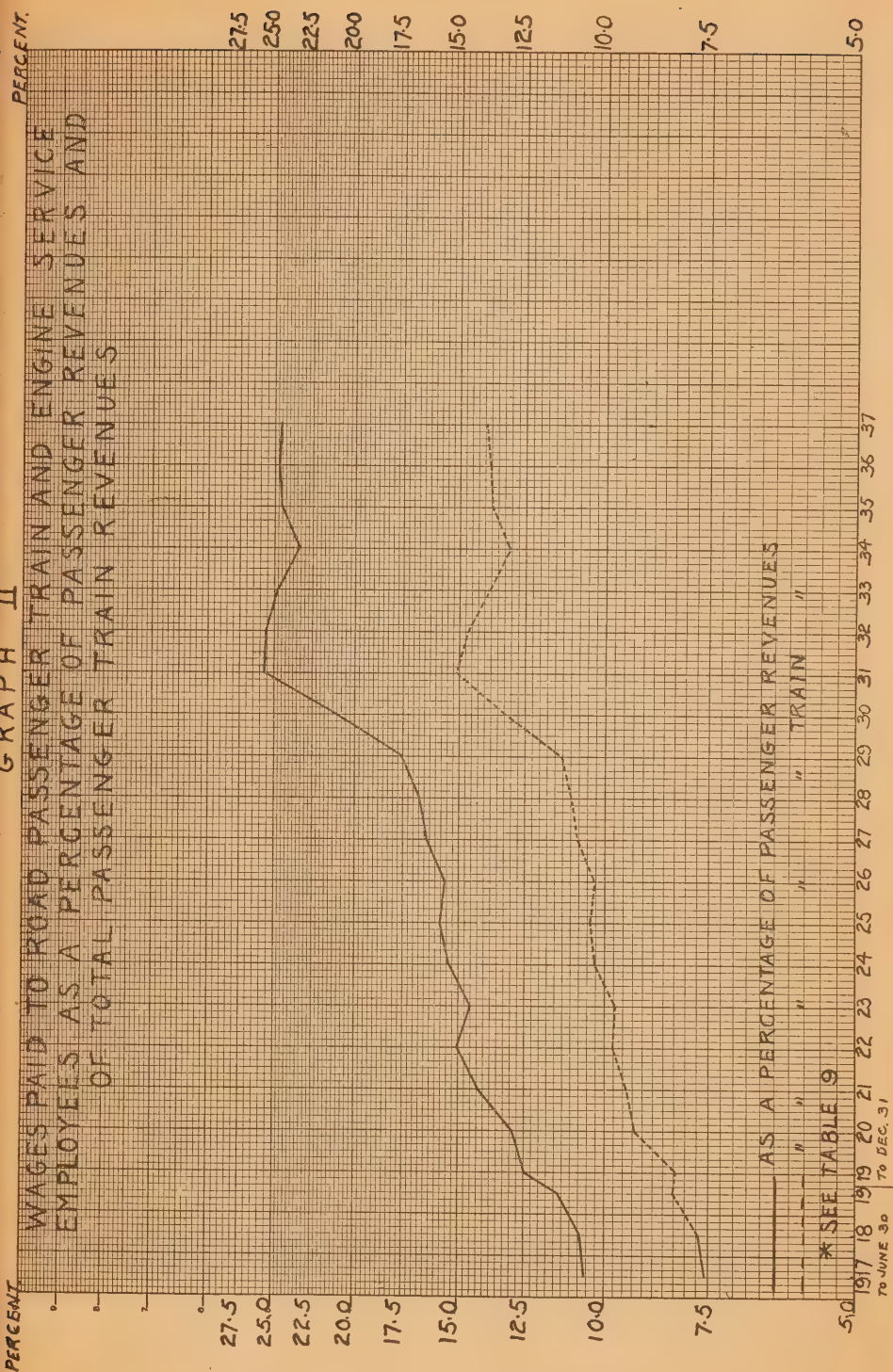
†The numbers of these excluded employees at 1926 and 1937 was:—

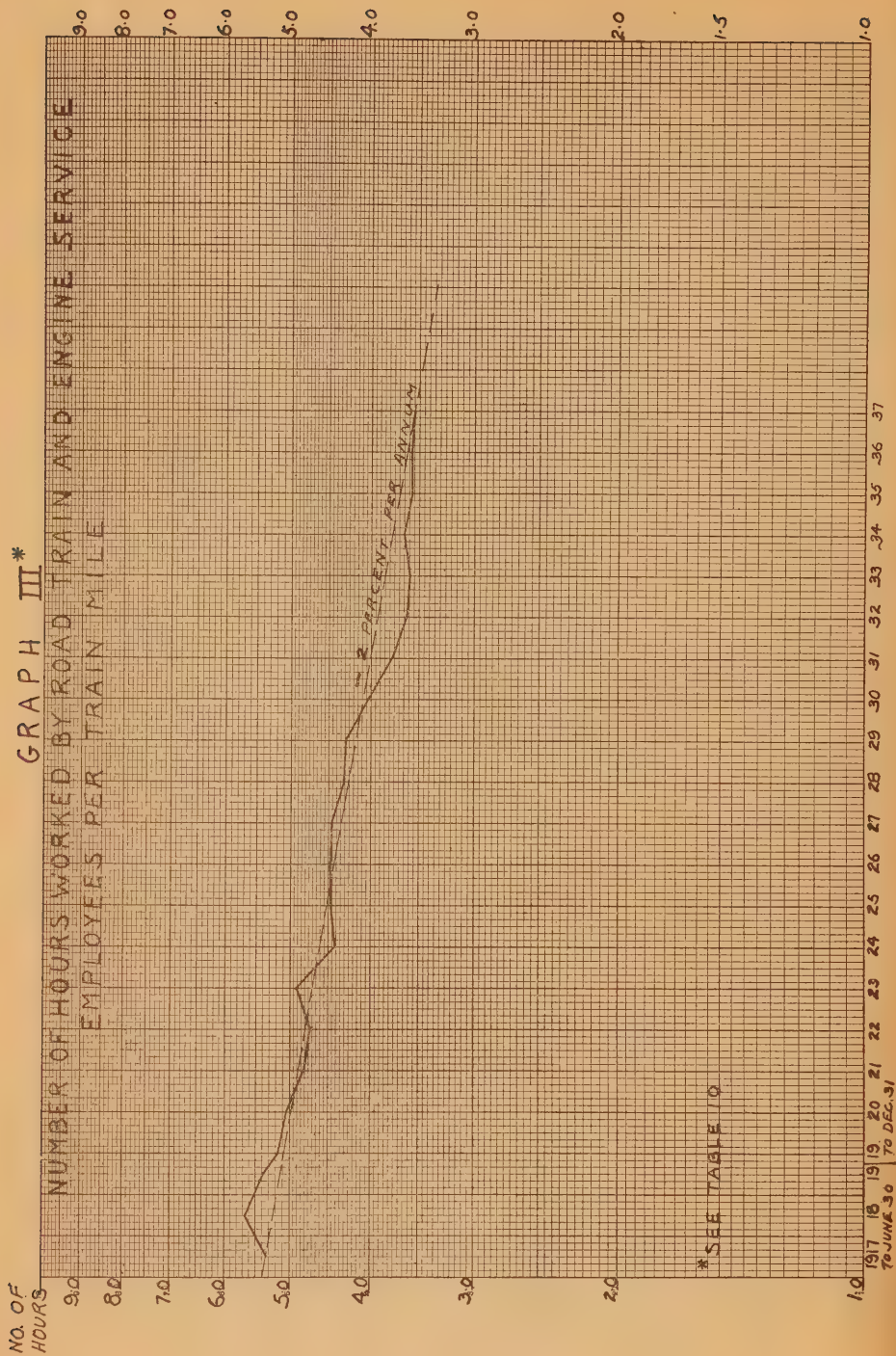
	1926	1937
Express department.....	3,051	2,391
Radio.....	74	26
Outside operations employees.....	8,718	9,509

‡Adjusted for changes in the cost of living index, *Prices and Price Indexes*, 1936, p. 103 and supplements thereto.

PERCENT

WAGES PAID TO ROAD PASSENGER TRAIN AND ENGINE SERVICE EMPLOYEES AS A PERCENTAGE OF PASSENGER REVENUES AND OF TOTAL PASSENGER TRAIN REVENUES





GRAPH IV*

CENTS PER

PAIM
MILK

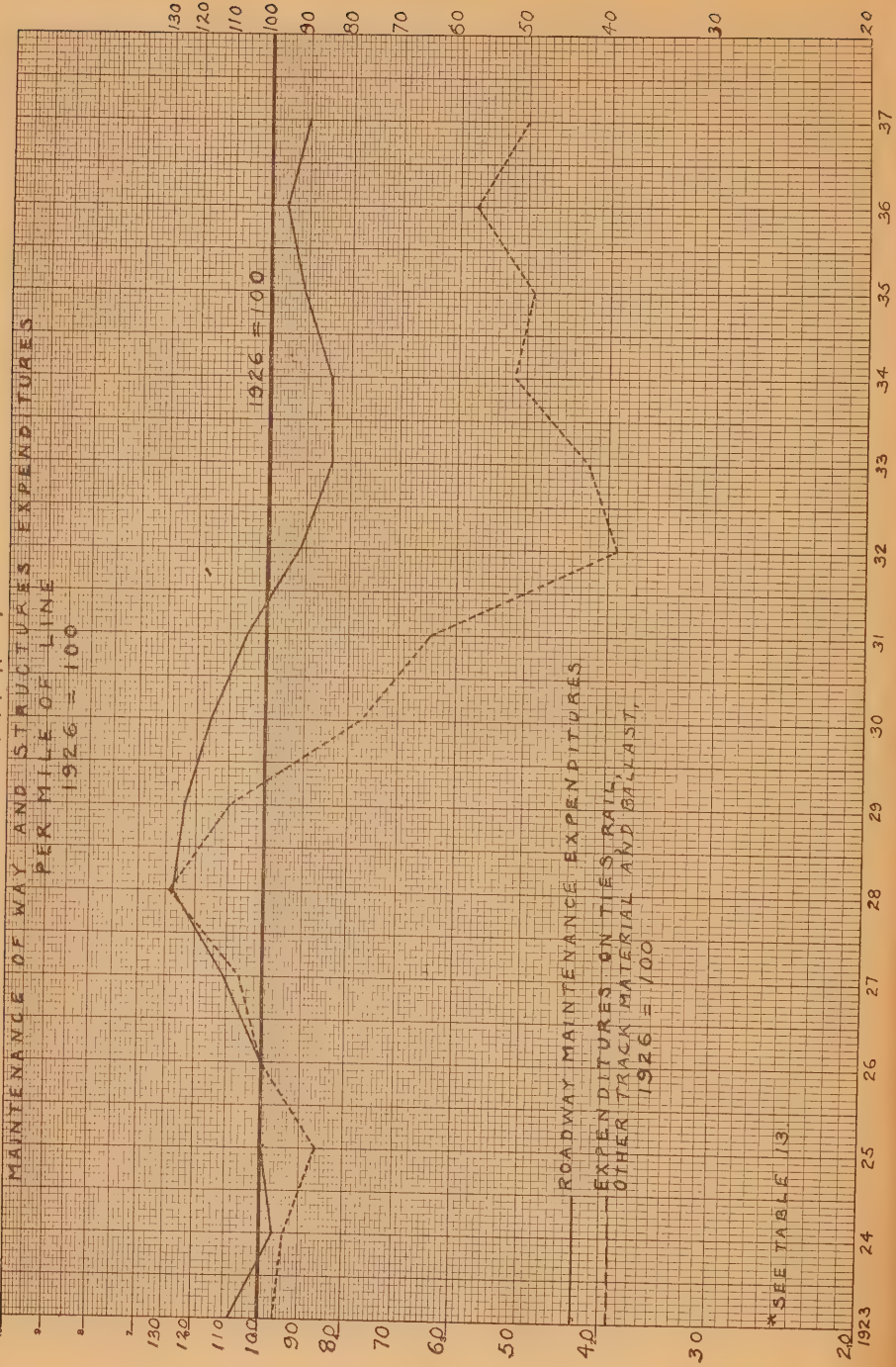
WAGES PAID TO ROAD TRAIN AND ENGINE SERVICE EMPLOYEES IN CENTS PER TRAIN MILE

TABLE 1

31	18	19	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37
JUNE 30										TO DEC. 31											

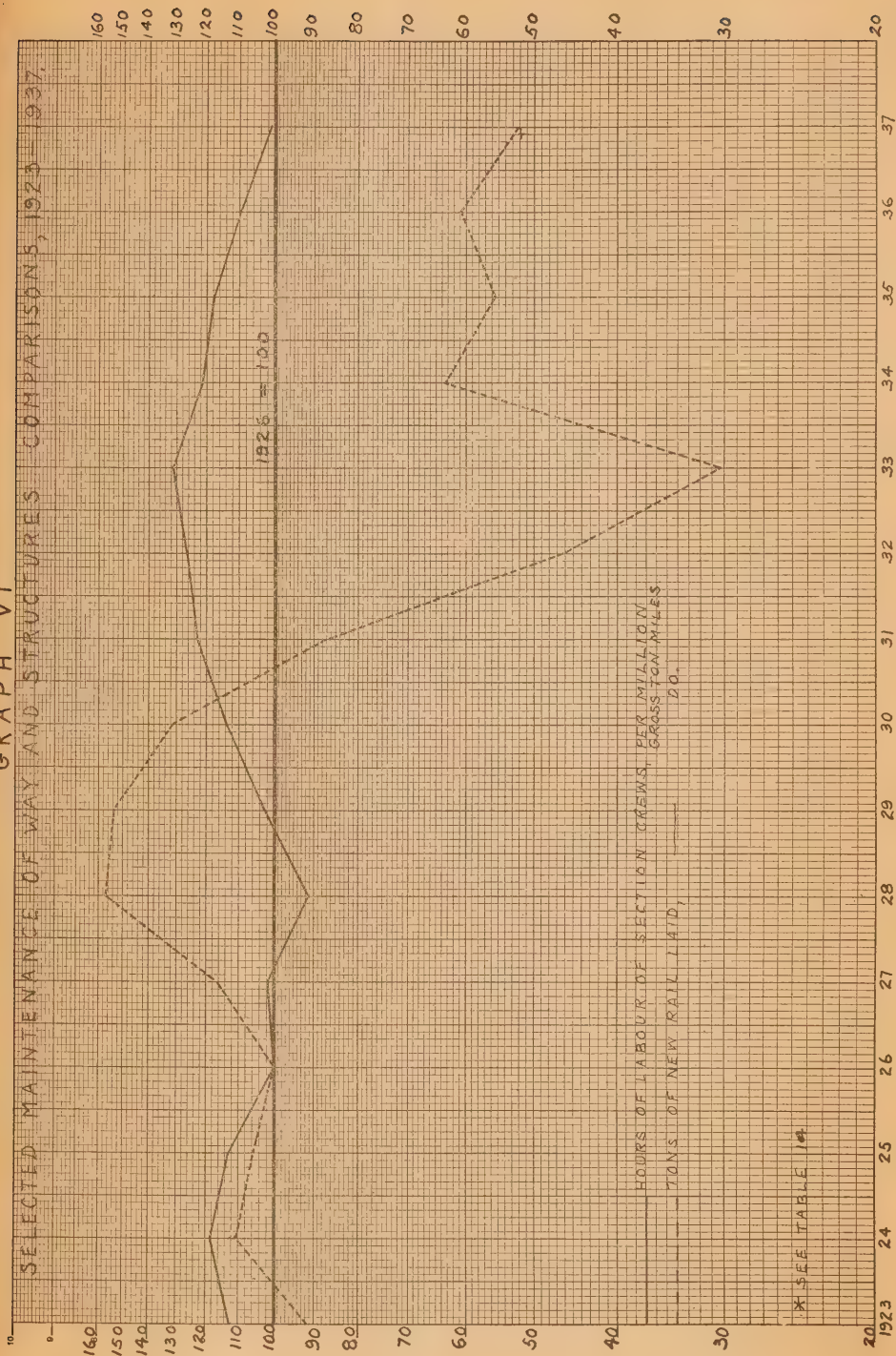
917	18	19	19	20	21
TO JUNE 30		TO DEC. 31			

GRAPH V*



*SEE TABLE 13.

GRAPH VI*
SELECTED MAINTENANCE OF WAY AND STRUCTURES COMPARISONS, 1923-1937.



GRAPH VII*

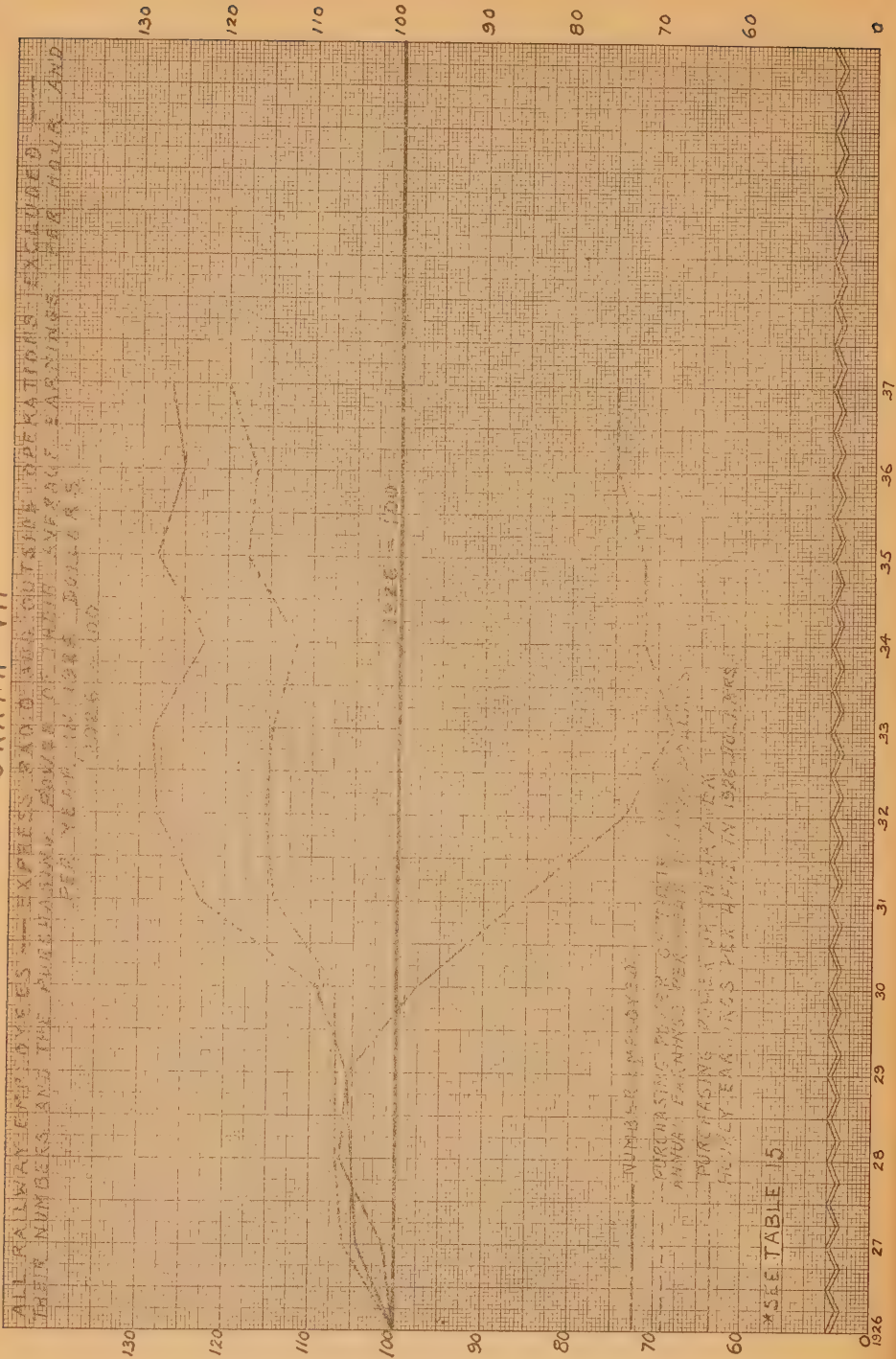


EXHIBIT No. 106

Map showing profitable and non-profitable lines, C.N. Rys. (Not printed)

EXHIBIT No. 107

CANADIAN NATIONAL RAILWAYS

DISTRIBUTION OF INCOME DEFICIT FOR YEAR 1937

LINES BUILT OR ACQUIRED SINCE JANUARY 1, 1921, AND IN OPERATION AT DECEMBER 31, 1937

	Mileage	Cost of Construction or acquisition	Income result after interest and taxes
		\$	(1937 level of traffic) \$
Lines which earn enough to pay operating expenses, taxes and interest charges.....	36	3,127,300	48,200
Lines which pay operating expenses but fail to earn enough to pay taxes and interest charges.....	58	5,039,400	Dr. 70,200
Lines which fail to pay operating expenses.....	2,178	77,316,600	" 3,555,700
	2,272	85,483,300	" 3,577,700

Dept. of Research and Development,
Montreal, April 24, 1939.

CANADIAN NATIONAL RAILWAYS

DISTRIBUTION OF INCOME DEFICIT FOR YEAR 1937

LINES BUILT SINCE JANUARY 1, 1921, AND IN OPERATION AT DECEMBER 31, 1937

From	To	Miles	Capital cost of con- struction	Income result after interest and taxes
1921				(1937 level of traffic)
Lucky Lake.....	Demaine, Sask.....	8-79	\$ 185,473	Dr. \$ 13,400
Cessford.....	Wardlaw, Alta.....	6-69	285,940	" 9,100
Melfort.....	Ridgedale, Sask.....	23-78	541,176	" 67,800
Preeceville.....	Kelvington, Sask.....	41-50	928,096	" 102,900
Turtleford.....	St. Walburg, Sask.....	19-98	545,557	" 44,000
Robinsons.....	Whitcourt, Alta.....	38-29	1,587,399	" 204,500
Leyland.....	Luscar, Alta.....	5-40	Leased Line	" 14,400
1922				
Demaine.....	Beechy, Sask.....	6-48	136,731	" 9,900
East Burrills.....	West Burrills, Que.....	2-00	212,880	" 4,400
Amaranth.....	Alonza, Man.....	17-52	341,895	" 25,200
Gravelbourg.....	Hodgeville, Sask.....	30-00	677,348	" 68,300
Red Deer Jct.....	Red Deer, Alta.....	6-06	225,693	" 18,400
1923				
Battle.....	Duhamel, Alta.....	3-48	48,300	" 5,900
Kinsol.....	Chanlog, B.C.....	16-90	548,109	" 116,400
Warell.....	Ardmore, Sask.....	3-71	88,249	" 5,400
Longlac.....	Nakina, Ont.....	30-27	2,825,363	Cr. 36,700
1924				
Chanlog.....	Cowichan Lake, B.C.....	3-80	123,244	Dr. 26,200
Hodgeville.....	Neidpath, Sask.....	9-57	292,579	" 21,800
Peebles.....	Handsworth, Sask.....	22-29	595,440	" 27,500
Dombourg.....	Donnacona, Que.....	6-26	535,863	" 15,400
1925				
Paddockwood Jct.....	Paddockwood, Sask.....	23-83	524,347	" 22,800
Fresniere.....	Papineau, Que.....	12-66	500,257	" 27,700
Kamloops.....	Kelowna, B.C.....	90-85	5,930,772	" 161,100
Lumby Jct.....	Lumby, B.C.....	14-78	964,852	" 16,500
Lockeporte.....	Lockeporte Town, N.S.....	4-23	187,134	" 5,400
Deerholme Jct.....	Cowichan Bay, B.C.....	7-26	390,224	" 35,000
Lake Cowichan.....	Youbou, B.C.....	9-60	325,420	" 66,100
Warden.....	Endiang, Alta.....	33-00	857,879	" 35,300
Elbow.....	Dunblane, Sask.....	11-60	893,460	" 19,500
Eston.....	Mile 29-70, Sask.....	29-70	807,308	" 44,600
St. Rose.....	Rorketon, Man.....	22-48	455,846	" 29,900
Turtleford.....	Fairholme, Sask.....	23-00	612,161	" 32,800
Loverna.....	Hemaruka, Alta.....	50-00	1,127,935	" 42,300
1926				
Beaconia.....	Pine Falls, Man.....	19-49	\$ 547,020	Dr. \$ 15,400
China Clay.....	Lac Remi, Que.....	2-40	85,827	" 4,800
Eyre, Sask.....	Acadia Valley, Alta.....	23-67	771,838	" 31,400
Bengough.....	Willowbunch, Sask.....	28-49	876,154	" 118,500
Endiang.....	Hanna, Alta.....	29-18	758,573	" 31,200
Central Butte.....	Elbow, Sask.....	25-98	2,001,041	" 43,700
Fairholme.....	Rabbit Lake, Sask.....	42-50	1,131,168	" 60,700
St. Paul.....	Elk Point, Alta.....	19-55	558,773	" 40,400
1927				
Mile 29-70.....	Whitebear, Sask.....	4-60	125,038	" 6,900
St. Felicien.....	Dolbeau, Que.....	26-60	1,433,290	" 72,300
At Elk Point.....	Alta.....	1-33	38,013	" 2,700

CANADIAN NATIONAL RAILWAYS—*Concluded*DISTRIBUTION OF INCOME DEFICIT FOR YEAR 1937—*Concluded*LINES BUILT SINCE JANUARY 1, 1921, AND IN OPERATION AT DECEMBER 31, 1937—*Concluded*

From	To	Miles	Capital cost of construction	Income result after interest and taxes
1928				(1937 level of traffic)
Taschereau.....	Noranda, Que.....	43.90	3,252,415	" 42,300
Saskatoon Loop.....	Sask.....	6.08	301,880	Cr. 11,500
Weyburn.....	Radville, Sask.....	23.54	678,912	Dr. 29,900
Abilene Jct.....	Bonnyville, Alta.....	37.15	1,388,450	" 27,400
Bretona.....	Clover Bar, Alta.....	9.61	360,282	" 16,200
Willowbrook.....	Parkerview, Sask.....	22.44	675,062	" 28,300
Rabbit Lake.....	Speers, Sask.....	37.34	1,018,134	" 53,300
Spruce Lake Jct.....	Frenchman Butte, Sask.....	29.00	1,130,698	" 11,700
Elk Point.....	Heinsburg, Alta.....	19.49	795,288	" 40,300
1929				
Rosedale.....	Trefoil, Alta.....	26.18	946,973	" 900
Grasswood.....	Nutana, Sask.....	3.24	91,204	" 4,700
Grand Mere.....	East Burrills, Que.....	7.90	2,727,172	" 17,300
Kindersley.....	Glidden, Sask.....	16.40	509,985	" 23,000
Garson.....	Falconbridge, Ont.....	3.26	116,286	" 4,500
1930				
Flin Flon Jct.....	Flin Flon, Man.....	87.49	6,313,292	" 121,800
Sherritt Jct.....	Sherridon, Man.....	40.40	2,652,311	" 33,400
Lilian.....	Mutchler, Sask.....	68.62	2,754,206	" 69,400
Amiens Jct.....	England, Sask.....	74.98	2,648,067	" 67,700
Crane.....	Arborsfield, Sask.....	19.39	581,890	" 24,500
Reserve.....	Crooked River, Sask.....	60.07	2,432,433	" 43,700
Lake Verde.....	Pisquid, P.E.I.....	9.95	369,245	" 12,700
1931				
Lannaw.....	Thatch, Sask.....	89.45	3,191,770	" 113,700
Oka Branch.....	Que.....	4.45	268,760	" 10,000
1932				
Hamlin.....	Glenbush, Sask.....	31.56	1,059,645	" 9,700
1933—Nil.				
1934—Nil.				
1935—Nil.				
1936—Nil.				
1937				
Ridgedale.....	Carrot River, Sask.....	27.28	934,276	Dr. 12,600
Neidpath.....	Friend, Sask.....	22.88	737,385	" 8,300
Bonnyville.....	Beaver River, Alta.....	20.58	740,880	" 15,200
Mawer.....	Main Centre, Sask.....	48.64	1,733,818	" 20,100
Unity, Sask.....	Bodo, Alta.....	51.48	1,732,373	" 37,200
Hemaruka.....	Scapa, Alta.....	40.53	855,158	" 7,400

SUMMARY—LINES IN OPERATION AT DECEMBER 31, 1937, WHICH HAVE BEEN BUILT SINCE JANUARY 1, 1921

Lines which earn enough to pay operating expenses, taxes and interest charges.....	36	\$ 3,127,300	\$ 48,200
Lines which pay operating expenses but fail to earn enough to pay taxes and interest charges.....	58	5,039,400	Dr. 70,200
Lines which fail to pay operating expenses.....	1,748	67,461,200	Dr. 2,604,900
	1,842	\$ 75,627,900	Dr. \$2,626,900

CANADIAN NATIONAL RAILWAYS]

DISTRIBUTION OF INCOME DEFICIT FOR YEAR 1937

LINES ACQUIRED SINCE JANUARY 1, 1921, AND IN OPERATION AT DECEMBER 31, 1937

From	To	Miles	Purchase price	Income resul after interest and taxes
			\$	(1937 level of traffic)
Kent Northern Railway purchased August 7, 1929—				
Kent Jct.....	Richibucto, N.B.....	26.49	60,000	Dr. 24,00
Quebec Oriental Railway; Atlantic, Quebec & Western Railway (purchased August 7, 1929)—				
Matapedia.....	Gaspe, Que.....	202.25	3,500,000	Dr. 430,800
Quebec, Montreal & Southern Rail- way, purchased August 7, 1929—				
Fortierville.....	St. Lambert, Que.....	140.84	5,920,362	Dr. 398,000
Ste. Hyacinthe.....	Bellevue Jct., Que.....			
Inverness Railway & Coal Co., operated under lease since April 1, 1922, and purchased August 7, 1929—				
Inverness Jct.....	Inverness, N.S.....	60.53	375,000	Dr. 98,000
Total.....		430.00	9,855,400	Dr. 950,800

Excluded from the above is the St. John and Quebec Railway, Westfield Beach to Centreville, N.B., operated as part of the C.G.R. under lease from date of construction (1915-1920) and acquired August 7, 1929.

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Canada Railway Report
Special Letter 1939

1939

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THE SENATE OF CANADA

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PROCEEDINGS

OF THE

SPECIAL COMMITTEE

Appointed to

**ENQUIRE INTO AND REPORT UPON THE BEST MEANS OF RELIEVING THE
COUNTRY FROM ITS EXTREMELY SERIOUS RAILWAY CONDITION
AND FINANCIAL BURDEN CONSEQUENT THERETO**

No. 14

The Right Honourable George P. Graham, P.C., and
the Honourable C. P. Beaubien, K.C.,
Joint Chairmen

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OTTAWA
J. O. PATENAUDE, I.S.O.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1939

ORDER OF APPOINTMENT

(Extracts from the Minutes of Proceedings of the Senate for March 7, 1939)

Resolved,—That, with a view of completing the inquiry pursued during last session by the Special Railway Committee of this House, and preparing and submitting an adequate report on such inquiry, this Special Committee be re-appointed with a view to inquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, with power to send for persons, papers and records and that the said Committee be re-appointed with the same personnel and, therefore, that it consist of the Honourable Senators Beaubien, Black, Buchanan, Calder, Cantley, Coté, Dandurand, Graham, Haig, Hugessen, Horsey, Jones, Hardy, McRae, Meighen, Murdock, Parent, Robinson, Sharpe and Sinclair.

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